Performance Management in Family Microbusinesses

Alice M. Brawley
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PERFORMANCE MANAGEMENT IN FAMILY MICROBUSINESSES

A Dissertation
Presented to
the Graduate School of
Clemson University

In Partial Fulfillment
of the Requirements for the Degree
Doctor of Philosophy
Industrial-Organizational Psychology

by
Alice M. Brawley
August 2016

Accepted by:
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ABSTRACT

The purpose of the these studies was to develop and validate a grounded theory of performance management in United States family microbusinesses, or businesses with fewer than 10 employees, at least one of whom is a family member. U.S. microbusinesses comprise 75% of private sector businesses and account for 12 million employees (Bureau of Labor Statistics, 2015). Despite their majority presence, industrial-organizational (I-O) psychology research has often focused on larger businesses (Levy, 2006; May, 1997; Tetrick, Slack, Da Silva, & Sinclair, 2000), potentially limiting our knowledge and relevance to considerable numbers of businesses and employees.

In Study 1, I conducted semi-structured interviews with 12 microbusinesses managers about managing and motivating their employees’ performance. The central phenomenon driving performance management in these businesses was caring for employees as individuals. Theoretical relationships with other categories influencing or affected by this phenomenon – such as differentiating communication across employees and resulting employee performance – were also grounded in the data. Additionally, participants evaluated the fit of current I-O psychology recommendations for performance management to their own businesses, and generally reported that the same objectives were important (e.g., good employee performance), but the process of managing employees was generally more as-needed or event-based and personalized to suit each employee best.

In Study 2, I collected quantitative self-report data from a new sample of microbusiness managers with up to 20 employees ($N = 235$, including 128 responses
from family businesses with less than 10 employees) and largely supported selected theoretical propositions from Study 1. Results indicated that creating a family or personalized environment typically improved employee performance and customer service quality, as well as potentially reduced employee turnover. However, communication differentiation was positively associated with employee turnover, and additional mixed effects were found based on business sizes. These studies extend I-O psychology and the theory of performance management to the domain of microbusinesses and provide concrete recommendations for the practice of performance management in these businesses.
DEDICATION

Mom and Dad, thank you for paving the way for this dissertation in every possible sense of the phrase. I have been lucky to learn so much (and continue to learn!) from you, both about Brawley’s Auto Repair and everything else. This dissertation is just one of the many things you might not have expected to happen when you started repairing just a few cars in the garage at home for the rest of the week before applying for new jobs on Monday.
ACKNOWLEDGMENTS

By now, I’m pretty certain that “it takes a village…” is about writing a dissertation. So many people have shared incredible amounts of time, kindness, support, wisdom, and humor with me long before and throughout my dissertation journey.

To my chair, Cindy, thank you for being a brilliant and true mentor throughout my dissertation and graduate school. To my committee, Pat, Fred, and Sarah, thank you for your thoughtful suggestions throughout this process. I am grateful to Clemson University Creative Inquiry for generously funding Study 1 of this dissertation.

To each of my participants, thank you for your precious time and willingness to teach a stranger about your experiences. To my research team – Jessica Bilcliff, Kaylee West, and Angela Cataldo – thank you for reading along with me and sharing your outstanding perspectives. Your input made me see the interviews in new and wonderful ways every time we talked, and I enjoyed learning from all of you.

To the many individuals who helped me find my way to participants and guided me in new worlds of research – to name a few, Ashley Denny and the Clemson Area Chamber of Commerce, Jill Hofmans and the Conway Family Center, Benny Smith and the SC Small Business Development Center, Mom and Dad and Brawley Auto Repair, Betty Baldwin, Kama Dodge, Robin Kowalski, Bill Lafayette, Will Leidheiser, and Amber O’Connor – thank you. You made this dissertation possible and fun.

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TABLE OF CONTENTS

Page

TITLE PAGE .................................................................................................................... i
ABSTRACT .................................................................................................................... ii
DEDICATION ........................................................................................................ iv
ACKNOWLEDGMENTS ........................................................................................ v
LIST OF TABLES ................................................................................................ ix
LIST OF FIGURES ................................................................................................ xi

CHAPTER

1. INTRODUCTION ................................................................................................. 1
   Research Foundations ......................................................................................... 2
   Applying Industrial-Organizational Psychology to Microbusinesses .................. 7

2. CHALLENGES FOR PERFORMANCE MANAGEMENT IN MICROBUSINESSES .................................................................................................................. 10
   Introduction to Performance Management ...................................................... 10
   The State of Performance Management in Microbusinesses .......................... 12
   Challenges for Performance Management in Microbusinesses ...................... 13
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS (continued)</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. EVALUATION OF CURRENT PERFORMANCE MANAGEMENT PRACTICES FOR MICROBUSINESSES</td>
<td>23</td>
</tr>
<tr>
<td>Component 1a: Pre-Requisite Knowledge of the Organizational Mission</td>
<td>23</td>
</tr>
<tr>
<td>Component 1b: Pre-Requisite Knowledge of the Job</td>
<td>24</td>
</tr>
<tr>
<td>Component 2: Performance Planning</td>
<td>26</td>
</tr>
<tr>
<td>Component 3: Performance Execution</td>
<td>27</td>
</tr>
<tr>
<td>Component 4: Performance Assessment</td>
<td>28</td>
</tr>
<tr>
<td>Component 5: Performance Review</td>
<td>29</td>
</tr>
<tr>
<td>Component 6: Performance Renewal and Recontracting</td>
<td>31</td>
</tr>
<tr>
<td>Study 1</td>
<td>31</td>
</tr>
<tr>
<td>4. STUDY 1 METHOD</td>
<td>33</td>
</tr>
<tr>
<td>Sample</td>
<td>33</td>
</tr>
<tr>
<td>Procedure and Materials</td>
<td>34</td>
</tr>
<tr>
<td>Grounded Theory Analysis</td>
<td>35</td>
</tr>
<tr>
<td>5. STUDY 1 RESULTS</td>
<td>38</td>
</tr>
<tr>
<td>A Grounded Theory of Performance Management in Family Microbusinesses</td>
<td>38</td>
</tr>
<tr>
<td>Evaluation of Recommendations for Performance Management Practices</td>
<td>79</td>
</tr>
<tr>
<td>Study 1 Conclusion</td>
<td>88</td>
</tr>
<tr>
<td>6. STUDY 2</td>
<td>90</td>
</tr>
<tr>
<td>Hypotheses</td>
<td>90</td>
</tr>
<tr>
<td>Sample</td>
<td>94</td>
</tr>
<tr>
<td>Design and Procedure</td>
<td>96</td>
</tr>
<tr>
<td>Measures</td>
<td>96</td>
</tr>
<tr>
<td>7. STUDY 2 RESULTS</td>
<td>107</td>
</tr>
<tr>
<td>Data Screening</td>
<td>108</td>
</tr>
<tr>
<td>Central Phenomenon’s Association with Strategies</td>
<td>109</td>
</tr>
<tr>
<td>Strategies’ Associations with Consequences</td>
<td>110</td>
</tr>
<tr>
<td>Complete Mediation Model</td>
<td>117</td>
</tr>
<tr>
<td>Descriptions of Performance Management Practices</td>
<td>124</td>
</tr>
<tr>
<td>TABLE OF CONTENTS (continued)</td>
<td>Page</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>8. DISCUSSION ..................................................</td>
<td>126</td>
</tr>
<tr>
<td>Contributions .................................................</td>
<td>126</td>
</tr>
<tr>
<td>Limitations ....................................................</td>
<td>140</td>
</tr>
<tr>
<td>Future Research ...............................................</td>
<td>141</td>
</tr>
<tr>
<td>Conclusion ......................................................</td>
<td>149</td>
</tr>
<tr>
<td>APPENDICES ....................................................</td>
<td>150</td>
</tr>
<tr>
<td>A: Qualitative Interview Protocol and Guide ..................</td>
<td>151</td>
</tr>
<tr>
<td>B: Measures for Central Phenomenon: Caring for Employees As Individuals ..........................</td>
<td>160</td>
</tr>
<tr>
<td>D: Measure for Strategy 2: Creating a Family or Personalized Environment ..................................................</td>
<td>164</td>
</tr>
<tr>
<td>E: Measure for Consequence 1: Customer Service Quality........</td>
<td>165</td>
</tr>
<tr>
<td>F: Measure for Consequence 2: Employee Performance ........</td>
<td>166</td>
</tr>
<tr>
<td>G: Measure for Consequence 3: Employee Retention ............</td>
<td>168</td>
</tr>
<tr>
<td>H: Measure for Objective Employee Retention ................</td>
<td>170</td>
</tr>
<tr>
<td>I: Measure for Event-Based and Time-Based Performance Management ..................................................</td>
<td>171</td>
</tr>
<tr>
<td>J: Tables and Figures ..........................................</td>
<td>172</td>
</tr>
<tr>
<td>FOOTNOTES .....................................................</td>
<td>239</td>
</tr>
<tr>
<td>REFERENCES ....................................................</td>
<td>240</td>
</tr>
</tbody>
</table>
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1. Potential Issues in Applying Performance Management Recommendations to Microbusinesses and Family Businesses</td>
<td>173</td>
</tr>
<tr>
<td>5.1. Summary of Coded Segments for Grounded Theory</td>
<td>176</td>
</tr>
<tr>
<td>5.2. Illustrative Quotes for Grounded Theory</td>
<td>178</td>
</tr>
<tr>
<td>5.3. Evaluations of Recommendations for Performance Management Practices</td>
<td>193</td>
</tr>
<tr>
<td>7.1. Descriptive Statistics for Sample of Family Microbusinesses</td>
<td>197</td>
</tr>
<tr>
<td>7.2. Descriptive Statistics for Sample of Businesses with Up to 20 Employees</td>
<td>198</td>
</tr>
<tr>
<td>7.3. Strategies Regressed on Central Phenomenon for Sample of Family Microbusinesses</td>
<td>199</td>
</tr>
<tr>
<td>7.4. Strategies Regressed on Central Phenomenon for Sample of Businesses with Up to 20 Employees</td>
<td>200</td>
</tr>
<tr>
<td>7.5. Consequences Regressed on Strategies for Sample of Family Microbusinesses</td>
<td>201</td>
</tr>
<tr>
<td>7.6. Relative Weight Analyses of Consequences Regressed on Strategies for Sample of Family Microbusinesses</td>
<td>202</td>
</tr>
<tr>
<td>7.7. Consequences Regressed on Strategies for Sample of Businesses with Up to 20 Employees</td>
<td>203</td>
</tr>
<tr>
<td>7.8. Relative Weight Analyses of Consequences Regressed on Strategies for Sample of Businesses with Up to 20 Employees</td>
<td>204</td>
</tr>
<tr>
<td>7.9. Mediation of Individualized Care-Customer Service Quality Relationship for Sample of Family Microbusinesses</td>
<td>205</td>
</tr>
<tr>
<td>7.10. Mediation of Individualized Care-Employee Performance Relationship for Sample of Family Microbusinesses</td>
<td>206</td>
</tr>
<tr>
<td>Table</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>7.11.</td>
<td>Mediation of Individualized Care-Employee Retention Relationship for Sample of Family Microbusinesses</td>
</tr>
<tr>
<td>7.12.</td>
<td>Mediation of Individualized Care-Customer Service Quality Relationship for Sample of Businesses with Up to 20 Employees</td>
</tr>
<tr>
<td>7.13.</td>
<td>Mediation of Individualized Care-Employee Performance Relationship for Sample of Businesses with Up to 20 Employees</td>
</tr>
<tr>
<td>7.14.</td>
<td>Mediation of Individualized Care-Employee Retention Relationship for Sample of Businesses with Up to 20 Employees</td>
</tr>
<tr>
<td>8.1.</td>
<td>Similar Constructs to Central Phenomenon (Individualized Care) from Grounded Theory</td>
</tr>
</tbody>
</table>
### LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.</td>
<td><em>Grounded theory summary</em> ...............................................................214</td>
</tr>
<tr>
<td>5.2.</td>
<td><em>Detailed grounded theory</em> .................................................................215</td>
</tr>
<tr>
<td>6.1.</td>
<td><em>Mediation model tested in Study 2</em> ....................................................216</td>
</tr>
</tbody>
</table>
| 7.1. | *Distribution of objective reports of employee retention*  
(higher numbers = higher turnover) for sample of family microbusinesses .................................217 |
| 7.2. | *Poisson regression of employee retention (higher numbers = higher turnover) on communication differentiation*  
for sample of family microbusinesses ........................................218 |
| 7.3. | *Poisson regression of employee retention (higher numbers = higher turnover) on personalized environment creation for sample of family microbusinesses* .................219 |
| 7.4. | *Distribution of objective reports of employee retention*  
(higher numbers = higher turnover) for sample of businesses with up to 20 employees ........................220 |
| 7.5. | *Poisson regression of employee retention (higher numbers = higher turnover) on communication differentiation*  
for sample of businesses with up to 20 employees .........................221 |
| 7.6. | *Poisson regression of employee retention (higher numbers = higher turnover) on personalized environment creation for sample of businesses with up to 20 employees* ......222 |
| 7.7. | *Distribution of objective reports of employee retention*  
(higher numbers = higher turnover) for sample of non-family microbusinesses ..........................223 |
| 7.8. | *Distribution of objective reports of employee retention*  
(higher numbers = higher turnover) for sample of family businesses with 10 to 20 employees .......................224 |
<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.9.</td>
<td>Poisson regression of employee retention (higher numbers = higher turnover) on personalized environment creation for sample of non-family microbusinesses</td>
</tr>
<tr>
<td>7.10.</td>
<td>Poisson regression of employee retention (higher numbers = higher turnover) on personalized environment creation for sample of family businesses with 10 to 20 employees</td>
</tr>
<tr>
<td>7.11.</td>
<td>Mediation model for customer service quality for sample of family microbusinesses</td>
</tr>
<tr>
<td>7.12.</td>
<td>Mediation model for employee performance for sample of family microbusinesses</td>
</tr>
<tr>
<td>7.13.</td>
<td>Mediation model for employee retention (subjective, where higher numbers = lower turnover) for sample of family microbusinesses</td>
</tr>
<tr>
<td>7.14.</td>
<td>Mediation model for customer service quality for sample of businesses with up to 20 employees</td>
</tr>
<tr>
<td>7.15.</td>
<td>Mediation model for employee performance for sample of businesses with up to 20 employees</td>
</tr>
<tr>
<td>7.16.</td>
<td>Mediation model for employee retention (subjective, where higher numbers = lower turnover) for sample of businesses with up to 20 employees</td>
</tr>
<tr>
<td>7.17.</td>
<td>Distribution of average ratings of event-based performance management for sample of family microbusinesses</td>
</tr>
<tr>
<td>7.18.</td>
<td>Distribution of average ratings of personalized performance management for sample of family microbusinesses</td>
</tr>
<tr>
<td>7.19.</td>
<td>Distribution of average ratings of time-based performance management for sample of family microbusinesses</td>
</tr>
<tr>
<td>Figure</td>
<td>Description</td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>7.20.</td>
<td>Distribution of average ratings of event-based performance management for sample of businesses with up to 20 employees</td>
</tr>
<tr>
<td>7.21.</td>
<td>Distribution of average ratings of personalized performance management for sample of businesses with up to 20 employees</td>
</tr>
<tr>
<td>7.22.</td>
<td>Distribution of average ratings of time-based performance management for sample of businesses with up to 20 employees</td>
</tr>
</tbody>
</table>
CHAPTER 1
INTRODUCTION

One of the most common business types in the United States (U.S.) is the microbusiness, or those businesses with less than ten employees (Headd, 2015). There are 3.7 million microbusinesses in the U.S., accounting for 75% of private employers and 11% of private sector employees (Headd, 2015). Microbusinesses may help improve the economies of developing countries, or, in the U.S., urban economically disadvantaged areas (Honig, 1998). Microbusinesses most commonly have only two levels in their hierarchical structure (Nicolescu & Nicolescu, 2009), meaning that they are often as flat or much flatter than larger organizations.\(^1\) Despite the considerable presence of microbusinesses, I-O psychology has tended to focus on larger organizations (Tetrick, Slack, Da Silva, & Sinclair, 2000), and recommendations for practice based on larger businesses may not be appropriate for microbusinesses (cf. Cardon & Stevens, 2004; May, 1997).

The purpose of the present study is to develop a grounded theory of performance management tailored to U.S. family microbusinesses. This study will use qualitative methods – as appropriate for studying a new area (cf. Bachiochi & Weiner, 2004) – to examine a context of work that has thus far been largely neglected in the field of industrial-organizational (I-O) psychology (May, 1997; Tetrick et al., 2000). The new, grounded theory of performance management developed in this study will enable future hypothesis generation and testing. The theory developed using this qualitative method may also provide a valuable perspective in current changes to performance management.
processes in larger businesses (e.g., Pulakos, Mueller-Hanson, Arada, & Moyea, 2015). This study will make both theoretical and practical contributions to the field of I-O psychology. It will extend role boundary theory in performance management and in microbusinesses, as well as result in practical recommendations for microbusiness (and perhaps larger business) managers to improve employee and business performance.

In the following sections, I describe three areas of related research – on small businesses, new businesses, and family businesses – that may provide a foundation for studying microbusinesses. Following a discussion of these three areas of research, I discuss the motivation to do (and therefore, to study) performance management in microbusinesses.

**Research Foundations**

**Research on Small Businesses**

Much of the available literature on smaller businesses to date – found in the entrepreneurship and human resource management literatures – has examined small businesses (i.e., up to 500 employees for many industries, United States Small Business Administration, 2014) or small-to-medium sized enterprises of 1 to 250 employees. However, this category of small businesses may be too broad for some purposes: management needs in microbusinesses differ widely from management needs in small businesses, so management in these firms should be studied separately (Cardon & Stevens, 2004). While the present study examines microbusinesses, much of the available research examines small businesses. Therefore, I will use small business research as one foundational literature from which to begin studying microbusinesses. Throughout this
manuscript, small business refers to businesses with up to 500 employees, and microbusiness refers to businesses with up to 9 employees.

It may be possible to extrapolate from small business research findings to begin to understand microbusinesses. For example, the small size of a small business may imply a lack of financial and human resources that increase vulnerability to environmental forces (d'Amboise & Muldowney, 1988), as well as reduced capability to adjust to those forces (Latham, 2009). In a broader economic sense, small businesses must compete not only with large businesses, but also other small businesses (Berney & Owens, 1985). There is also internal pressure on small businesses to operate efficiently, as inefficiency poses greater problems for smaller businesses than for larger businesses (Dandridge, 1979). Small businesses may also face difficulties in obtaining start-up loans. Despite the challenges, small businesses may have some competitive advantages, such as relative flexibility in response to environmental changes (Latham, 2009). Based on these findings about small business, we might extrapolate and posit that microbusinesses face these challenges and have these advantages to a more extreme degree. Microbusinesses may have fewer resources than small businesses and face greater challenges in obtaining start-up funding and greater consequences of inefficiency. However, microbusinesses may be more flexible than both large and small businesses in adjusting to external forces.

**Research on New Businesses**

A second area of research that may likewise provide a foundation for the study of microbusinesses is that of new businesses. For example, new business owners often recruit their new employees using social ties, perhaps as a result of lacking resources for
formal recruitment and lacking business legitimacy as a new employer (Leung, 2003; Zimmerman & Zeitz, 2002). On the other hand, the novelty of a new business may be a competitive advantage in acquiring employees and other resources (e.g., Barney, 1991).

Again, findings from a different research area – on new businesses – could be applied to begin studying microbusinesses. Similarly, microbusinesses may need to rely on social ties to recruit new employees, as it may be difficult to build resources and business legitimacy without growing beyond the microbusiness size. Alternatively, microbusinesses may be able to develop differentiation strategies – such as flexibility and variety in the work done by employees – that provide a competitive advantage in recruiting employees.

Research on Family Businesses

Though the two are independent business types, microbusinesses may also be family businesses: in the most recent survey of Small Business Owners, the U.S. Census reported that 33 to 34% of firms with 1-9 employees are family owned (2007). This statistic does not necessarily account for businesses that employ family members, but smaller businesses may be more likely to recruit employees from their social networks, including their families (Leung, 2003; Zimmerman & Zeitz, 2002). Even when microbusinesses do not employ any family members, they may be more family-like than are larger businesses: just as members in families are not interchangeable, employees in smaller businesses may be less interchangeable (Dandridge, 1979).

Spouses are the most likely family member to be employed in U.S. family businesses, followed by sons, brothers, and fathers, then more distant relatives such as
cousins, aunts and uncles, and nieces and nephews, with in-laws the least likely among family members to be working in a family business (Dennis, 2002). Female family members may be less likely to work in a family business (Dennis, 2002) but may be likely to share in running the business without pay or other recognition (Philipps, 2004). Notably, family businesses are certainly not a new concept: the term itself may have been redundant one hundred years ago, as all businesses were operated by families (Aldrich & Cliff, 2003).

Family businesses may have more social capital – that is, available benefits based on the reciprocity norm in social networks – than non-family businesses (Sirmon & Hitt, 2003). In fact, some researchers suggest that family social capital is the distinguishing feature of a family business (Arregle, Hitt, Sirmon, & Very, 2007). Family social capital may foster business social capital and subsequent business growth. However, family social capital may also pose risks for the business. For example, dysfunctional family social capital can negatively affect the business through diminished employee communication. Even when family social capital is strongly functional, it can require too much maintenance, encourage groupthink, or leave the business heavily dependent on the family’s social capital (Arregle et al., 2007).

The possible positive and negative effects of family social capital reflect a broader trend of bivalence, or the suggestion that a variety of family business characteristics pose both advantages (i.e., positive valence) in some circumstances and disadvantages (i.e., negative valence) in others (Tagiuri & Davis, 1996). For example, simultaneous roles, shared identity, shared language, shared meaning of the family business, and emotional
involvement may be bivalent for the family business (Tagiuri & Davis, 1996). Similarly, family businesses may be more resilient and flexible than non-family businesses, but it is the disadvantages – including nepotism and family issues – may nullify the advantages (de Vries, 1994). Being a member of an owning family may be bivalent for such employees themselves: family member employees may have more opportunities for advancement but experience higher pressure to perform well (Beehr, Drexler, & Faulkner, 1997).

Family ownership may also result in positive and negative business performance outcomes. Family businesses may perform less well financially compared to non-family businesses in the U.S. (Miller, Breton-Miller, Lester, & Cannella, 2007), but these businesses may provide non-economic benefits to family member employees, such as identity, influence, and legacy (i.e., socioemotional wealth, Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Other advantages to the family include vision and intention to be sustained over generations (i.e., essence of family business, Dawson & Mussolino, 2014), and advantages to the business include the unique combination of resources in a family business (i.e., familiness, Habbershon & Williams, 1999). However, these advantageous constructs may predict potentially negative business decisions in family businesses, such as a reduced likelihood of hiring nonfamily managers even when available family members are not suitable for the position (Vandekerkhof, Steijvers, Hendriks, & Voordeckers, 2015).

Because microbusinesses may often be family owned, employ family members, or operate like a family, these research findings may be applicable to microbusinesses. For
example, being (or being like) a family in microbusinesses may reduce the financial
performance of the business but increase the non-financial, socioemotional benefits to the
business and employees. However, the increased employee commitment and unique
resources of a microbusiness may result in a reduced likelihood of selecting employees
on the basis of merit, rather than family status or friendship.

**Applying Industrial-Organizational Psychology to Microbusiness**

I-O psychology may contribute to better business actions in any business setting,
regardless of the size of the business (Sackett & Arvey, 1993). While I-O psychology
theories and practices developed by studying large business may be applicable to
microbusinesses in that both research areas involve the study of humans and human
behavior in the workplace, there are limitations to this knowledge, developed based
solely on large organizations where employees have well-defined jobs (Tetrick et al.,
2000). For example, management practices supported as effective for larger organizations
may not work in or be applicable to smaller organizations (Heneman & Tansky, 2002;
Tansky & Heneman, 2003). Moreover, we may miss new information by using
knowledge from larger businesses as a frame of reference and simply relating new
information about smaller businesses to what we already know about larger businesses
(Dandridge, 1979).

**The Need for Performance Management in Microbusinesses**

Employee performance management may be particularly critical for
microbusinesses. Business performance depends on individual job performance in
businesses of any size (Cascio & Aguinis, 2011). In microbusinesses, relatively few and
relatively permanent employees (Dandridge, 1979; Hicks & Graves, 1963) comprise the total performance of the business so the performance of these few employees is essential to the achieving the goals of the business. The performance of a single employee in a microbusiness – relative to larger businesses – represents a larger proportion of the total business performance. Therefore, a single poorly performing employee is more likely to harm a microbusiness, compared to a single poorly performing employee in a larger business.

Performance management serves as the mechanism for initially aligning individual performance with business goals, as well as continually maintaining this alignment (Aguinis, 2009). Performance management systems yield benefits for multiple parties and levels of the business, including employees, who will understand what is required of them; managers, who will have a more motivated group of workers; and the business itself, which can effect organizational change and achieve business goals (Aguinis, Joo, & Gottfredson, 2011). Ultimately, microbusinesses that implement performance management are likely to improve their overall organizational success and achieve their business goals.

There is evidence that some elements of performance management are indeed implemented in smaller businesses as a way to improve deficient employee performance. Within small and microbusinesses, the most frequent reason provided (by 65-80% of respondents) for assessing employee performance was training poor performers (Kotey & Slade, 2005). Other researchers have found that small business owners report dealing
with incompetent, unproductive, or unreliable employees, as well as disciplining those employees, as a source of stress (Grant & Ferris, 2013).

While many studies of small businesses have focused on issues of staffing and pay, virtually no research has examined performance management in smaller businesses (Cardon & Stevens, 2004). Selection and termination may be limited in smaller businesses (Dandridge, 1979; Hicks & Graves, 1963), so performance management may represent an opportunity for improving employee performance and, as a result, overall performance of the business. This study will address this gap and study performance management in microbusinesses, including family or other close relationships often present in microbusinesses.

**The Present Study**

The present study will develop a grounded theory of performance management in family microbusinesses. I will conduct semi-structured interviews with managers of microbusinesses about their current practices for motivating employee performance and their evaluations of the applicability of current I-O psychology recommendations for performance management. From these interviews, I will develop a grounded theory of performance management in family microbusinesses To the extent possible, I will also develop a preliminary brief practical guide (e.g., five steps) for microbusiness managers to manage employee performance.
CHAPTER 2

CHALLENGES FOR PERFORMANCE MANAGEMENT IN MICROBUSINESSES

Introduction to Performance Management

Performance management is the ongoing assessment and development of individual job performance (Aguinis, 2009) and often incorporates performance appraisal, or more systematic, formalized evaluation of individual strengths and weaknesses in job performance (Cascio & Aguinis, 2011). Performance management and appraisal involve both technical issues and interpersonal issues, earning it the title of the "Achilles’ heel" of management (Kikoski & Litterer, 1983, p. 33). In addition to these issues, job performance – the subject of performance management and appraisal – referred to as the major criterion problem (e.g., Arvey & Murphy, 1998; Austin & Villanova, 1992) in I-O psychology. Despite these issues, a number of recommendations for the practices of performance management have been developed in the industrial-organizational (I-O) psychology literature.

It is important to note that performance management and performance appraisal are distinct. Performance management differs from performance appraisal in five key ways (Aguinis et al., 2011). First, the sole purpose of performance appraisal is to measure performance, while this is just one component of performance management. Performance management also includes mutually set goals between the manager and employee, including both results (i.e., outcomes) and behaviors (i.e., ways for achieving those outcomes); performance appraisal does not include this goal-setting element. Second,
while performance appraisal focuses solely on past performance, performance management focuses on both past and future performance through the establishment of a developmental plan. Third, performance management requires the alignment of employee results and behaviors with the broader goals of the business. Fourth, performance management is ongoing, while performance appraisal is done on a single occasion. Last, in performance management, both managers and employees assume personal ownership of their performance management system, rather than ownership of the system by only human resources or other functions outside of the business unit, as is the case with performance appraisal. Throughout this dissertation, I use the terms performance management and appraisal as appropriate based on the definitions provided previously, as well as based on the focus of the literature cited.

Performance appraisal necessarily includes technical issues of measurement (e.g., rater error). However, performance appraisal and performance management are also applied problems (Tannenbaum, 2006) that invoke interpersonal issues in addition to technical issues (Cascio & Aguinis, 2011). The process of appraising and managing employee performance is by no means a sterile measurement problem. In fact, some I-O psychologists have advocated for treating performance appraisal as an organizational, rather than industrial, topic within the field (Farr & Jacobs, 2006). While reliable, “accurate measurement is important, the social and interpersonal context is critical for understanding performance management (Farr & Jacobs, 2006).

However, the performance management literature in I-O psychology has been developed based on large organizations. Therefore, recommendations from I-O
psychology for performance management may be impractical and inappropriate for the relatively limited resources and flexible, interpersonally close working environments of microbusinesses (Bacon & Hoque, 2005; d'Amboise & Muldowney, 1988; Gialuisi & Coetzer, 2013; Ram & Edwards, 2003). Employees in family microbusinesses may also face conflicting role demands – that is, circumstances that inherently require both job-based and family-based behaviors – when engaged in performance management.

The State of Performance Management in Microbusinesses

Many small and microbusinesses report conducting performance appraisals, which are one component of performance management. Seventy percent of Australian businesses with up to five employees and 82% of businesses with 5-19 employees reported conducting formal performance appraisals. Notably, businesses of less than five employees were more likely (29%) to assess employee performance daily than were businesses of 5-19 employees (20%) and 20-100 employees (13%) (Kotey & Slade, 2005). Earlier research showed a similar result in U.S. small businesses: almost 75% of U.S. businesses with 25-250 employees reported having a formal performance appraisal system (McEvoy, 1984). Another study reported that a portion of U.S. businesses of 1-50 employees used formal rating scales (35%), narrative essays (29%), or goal setting (32%) to assess and motivate employee performance (Hornsby & Kuratko, 1990). Though separate percentages were not reported for microbusinesses, the increasing trend across businesses with 51-100 employees (49%, 50%, and 49% using rating scales, narrative essays, and goal setting respectively) and 101-150 employees (59%, 68%, and 59%, respectively) may suggest that these rates are relatively lower in microbusinesses. In
general, performance appraisal in small businesses may be informal, continuous, and used for monitoring rather than developing employee performance (Cardon & Stevens, 2004; Gilbert & Jones, 2000).

**Challenges for Performance Management in Microbusinesses**

Current recommendations from I-O psychology for performance management systems may be impractical for microbusinesses. Microbusiness managers likely have relatively limited resources for managing employee performance. As a result, investments into developing an elaborate performance management system in microbusinesses may have relatively little utility: the microbusiness would not benefit from economy of scale (Sackett & Arvey, 1993). On the other hand, developing such systems might avoid major issues and related major costs for microbusinesses. In particular, a microbusiness will be more significantly impacted by a single hiring error (Sackett & Arvey, 1993).

The goal in applying I-O psychology to smaller business settings is not designing an ideal system, but rather designing a system that improves upon the previous system while accounting for the constraints of the setting (Sackett & Arvey, 1993). Performance management systems that are attuned to the technical constraints and interpersonal context of microbusiness settings will be most appropriate. For example, several guides to hiring in small business have been proposed that boil the process down to six (Gundersen & Jackson, 1998), four (O'Brien, n.d.), or three steps (Feild & Gatewood, 1987).

However, scaling down an existing system may result in errors as well; alternatively, one must identify a performance management system from the ground up,
tailored to the microbusiness setting. That is, a second important consideration in the realistic application of performance management is the organizational context, which may have unique effects on the performance appraisal and management process (Murphy & Cleveland, 1991). Microbusinesses may encounter a number of unique issues in implementing performance management, occurring in both technical and interpersonal domains (cf. Cascio & Aguinis, 2011). In the following sections, I discuss in detail two related categories of issues – (1) conflicting family and business roles and (2) informal work systems – that may present challenges as microbusinesses implement performance management practices.

**Challenge 1: Conflicting Business and Personal Roles**

The employees working in microbusinesses may often be family members or friends, or other social connections. Approximately one third of microbusiness owners reported being family owned in the most recent U.S. Census survey of Small Business Owners (2007). In addition to family ownership, the recruitment of employees in family and new businesses often relies on social and family ties for hiring, either out of preference or necessity (De Kok, Uhlaner, & Thurik, 2006; Leung, 2003; Zimmerman & Zeitz, 2002). On the other side of the employment relationship, relatives may feel entitled to and demand jobs in a family member’s business regardless of competence (Lansberg, 1983). When hiring family members, the hiring decision may often be made based on family membership, rather than job-related skill (Astrachan, 2010). Hiring incompetent employees – regardless of family relationship – can in turn threaten the business. While it may help the business, deciding to not hire a family member employee can impact family
harmony. Even when microbusinesses are not family owned and do not employ family or friends, the small size of the business may foster close interpersonal relationships between employees. Microbusinesses may be more similar to families than they are to larger businesses; for example, both families and microbusinesses have members that are not easily interchangeable (Dandridge, 1979).

Nepotism and cronyism – that is, favoritism towards family and friends, respectively – can indeed lead to negative consequences for both the business (e.g., decreased profitability, Cruz, Justo, & De Castro, 2012) and the family (e.g., interpersonal conflict, Baines & Wheelock, 1998b), but these practices may also have some benefits. For example, selecting employees based on social information may promote relational psychological contracts and in turn increase normative and affective employee commitment (Reda, 2007). At the organizational level, customer perceptions of family business status may promote the organization’s financial performance (Zellweger, Kellermanns, Eddleston, & Memili, 2012). Even some negative consequences of working with family may have positive effects: moderate levels of conflict may enhance the performance of family businesses more than low (and high) levels of conflict (Kellermanns & Eddleston, 2004), reflecting the Yerkes-Dodson (1908) inverted-U relationship between arousal and performance.

**Role boundaries.** The overlap of an individual’s multiple roles can span a continuum from clearly segmented to fully integrated (Ashforth, Kreiner, & Fugate, 2000). There is some evidence that expectations for – and therefore, boundaries of – various roles may be vague (Danes & Olson, 2003). Role boundary theory (Ashforth et
al., 2000) proposes that roles are typically bounded by space (e.g., the physical workplace) and time (e.g., working hours). The strength of role boundaries is the result of both their flexibility and permeability. The flexibility of a role boundary refers to the flexibility of its time and space borders (Ashforth et al., 2000). For example, space boundaries in family business may be illustrated in a bed-and-breakfast microbusiness that could be operated out of a family’s home: research has shown that having a tangible work-life border – e.g., particular areas in the home designated as home or business – may promote work-life balance among these employees (Li, Miao, Zhao, & Lehto, 2013).

Role boundaries may also be described in terms of permeability, or the degree to which an individual can be physically present in one role while psychologically or behaviorally involved in another role. Role boundaries in family microbusinesses may be among the most flexible and permeable: in a given day of work in a family microbusiness, a family member employee may act as an employee at some times and as a son or daughter at other times. In addition to work and family roles, there may also be a third meta-identity as a family business (Shepherd & Haynie, 2009). This meta-identity is proposed to exist hierarchically above family identity and business identity, and influence both.

The flexibility and permeability of a role may either reduce or increase role conflict (Ashforth et al., 2000). The overlap of family and business roles has been identified as a common source of conflict (Shepherd & Haynie, 2009) and stress (Beehr et al., 1997) in family businesses. The work-family balance literature proposes that conflict between work and family roles (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964;
Katz & Kahn, 1978) can result from competing demands for time or behavior, as well as strain-based spillover across roles (Greenhaus & Beutell, 1985). For example, when feedback on a business decision is solicited from a family employee, the employee may be unsure of whether to act in his or her business role or family role (Kaslow & Kaslow, 1992). The two roles that the employee must decide between may be relatively permeable in this situation, and the expected behaviors of the two roles – e.g., to support a decision as an encouraging family member or oppose a decision as a business-minded employee – may directly conflict.

**Work-linked couples.** There may be some individuals for whom work and family roles implicitly overlap by virtue of sharing an occupation or workplace. Such work-linked couples may experience higher integration between their family and work roles and increased effects of the couples’ supportive behaviors on each other’s emotional exhaustion (Halbesleben, Zellars, Carlson, Perrewé, & Rotondo, 2010). These couples may also experience reduced time-based and behavior-based conflict between their work and family roles, but increased strain-based work-family conflict (Halbesleben, Wheeler, & Rossi, 2012b). Again, these couples may be able to better understand each others’ work and provide more tailored and appropriate supportive behaviors (Halbesleben et al., 2012b).

Other researchers have also found that such work-linked couples perceive benefits to their marriage resulting from sharing an occupation and a workplace (Janning, 2006). Specifically, workers who share a workplace, but have different occupations – such as may be the case in microbusinesses, where two workers perform different job duties –
perceived increased sensitivity from their spouses, sharing time together, sharing a network, and improved logistics (Janning, 2006).

When members of a couple share a workplace, they may be more likely to discuss work at home, compared to couples who share only an occupation and not a workplace (Janning & Neely, 2006). Common conversation topics included people and politics of the work domain, subject matter from the work domain, and workloads. Among these work-linked couples, the reverse observation – conversations about home topics in the workplace – was lower among couples who shared a workplace, compared to couples who shared only an occupation and not a workplace (Janning & Neely, 2006). This observation was considered surprising given that couples who do not share a workplace face a higher barrier to communication (e.g., must call the other person during work hours) compared to couples who share a workplace (e.g., can discuss home topics in person at the workplace). This finding may indicate a preference to maintain privacy about family affairs or refrain from making other, non-family coworkers uncomfortable.

**Effects on performance management.** Close personal relationships – such as those in both family and non-family microbusinesses – may result in conflicts of interest that substantially affect the successful implementation and operation of performance management systems (Aguinis & Pierce, 2008). Furthermore, demographic similarity between the rater and ratee and the quality of the work relationship – which could both be impacted by family or friend status – can increase positive affect towards the ratee and result in inflated performance appraisal ratings (Judge & Ferris, 1993). The close interpersonal relationships associated with both family and non-family employees in a
microbusiness may often result in difficult, but critical performance management situations.

More specifically, performance management may be affected by the overlap of business and interpersonal roles in a microbusiness. The foundational idea of performance management and appraisal – evaluation based on one’s actions – conflicts with the principle of and social rules associated with family – evaluation based on one’s identity (Lansberg, 1983). The conflict between the family and business domains in performance management may be illustrated with an example of evaluating two children who are microbusiness employees: family norms imply that parents should not differentiate between children, a principle that may oppose that of some types of performance appraisal which require ranking or other comparisons between employees (Lansberg, 1983). Performance management in microbusinesses may be particularly difficult due to the presence of multiple, conflicting roles for the individuals involved in the process.

Evaluative performance appraisal interviews have been noted to resemble parent-child relationships, as the manager plays the role of judge (Meyer, 1991). When the employee being appraised is not the appraiser’s child or the performance appraisal process is not evaluative, the performance appraisal may impose roles – i.e., parent and child – that conflict with the family roles of the employees involved in the process. However, these implied roles may sometimes correspond with the family roles of the individuals involved in the process in a microbusiness. On the other hand, developmental performance appraisals impose a counselor role for the appraiser and establish a peer
relationship with the recipient. As with evaluative performance assessment, these implied roles may (or may not) imply conflicting role-based demands for the individuals involved in the process.

**Challenge 2: Informal Systems**

The typically informal systems required in microbusinesses may oppose the systematic principles and procedures of performance management. The physical and interpersonal closeness of a small business can promote an informal working environment (Bacon & Hoque, 2005; Ram & Edwards, 2003) where interactions are more frequent, personalized, interdependent (d'Amboise & Muldowney, 1988; Gialuisi & Coetzer, 2013) and supportive (Gray, Densten, & Sarros, 2003). The management styles observed in microbusinesses are highly personalized and informal (Matlay, 1999), which may result from a need for more contingent and flexible management styles in SMEs (Gilman & Edwards, 2008). The informal working environments accompanying small businesses present benefits to the business and employees, such as relatively simple procedures for requesting time off (Edwards, Ram, & Black, 2003). However, a distinctly formal system for performance management may be viewed as inappropriate, undesirable, or unnecessary in microbusinesses.

In general, small and medium sized businesses may be less likely to use formal and best management practices – including written policies for managing and assessing employee performance – than larger organizations (Bacon, Ackers, Storey, & Coates, 1996; Cardon & Stevens, 2004; Nguyen & Bryant, 2004). However, some smaller businesses may adopt these practices when they have goals to grow (Barrett & Mayson,
2007), when they require highly skilled workers (Wu, Bacon, & Hoque, 2014), or require skills that are not readily available in the workforce (Bacon & Hoque, 2005). Alternatively, greater flexibility in small businesses may instead reduce barriers to adopting best management practices (Bacon et al., 1996).

Adopting formal management practices – such as those for managing performance – may be viewed as unnecessary by members of family businesses based on the perception that the interests of the family member employees are already aligned (De Kok et al., 2006). Such family-business embeddedness may result in a lower likelihood of using formal management systems (Daily & Dollinger, 1992; Graves, 2006). In reality, family and business values do not always align, but this conflict can also preclude the adoption and application of formal management practices (Lansberg, 1983).

Exploratory research suggests that small business managers may view the adoption of formal business practices as a loss of control over and flexibility of relationships with employees (Koch & De Kok, 1999). When family businesses do adopt formal management practices, they may be relatively slow to develop these practices compared to non-family organizations (Kidwell, Hoy, & Ibarreche, 2012). Instead of formal systems, managers in small and family businesses may simply prefer to use personalized, social forms of control, rather than formal, impersonal methods.

Last, the employment relationship in smaller businesses may be relatively negotiable compared to large businesses, and such negotiation may be an ongoing process that results in intricate employment relationships (Wapshott & Mallett, 2013). Moreover, these intricate relationships may be based on perceptions from both parties
that may or may not be accurate. So-called psychological contracts – or employment agreements based on implicit expectations of both the employee and employer, as opposed to formal, written employment expectations – may play an important role in the effective functioning of microbusinesses (Nadin & Cassell, 2007). These psychological contracts may be important for microbusinesses, where job duties are fluidly and vaguely defined (Nadin & Cassell, 2007; Nicolescu & Nicolescu, 2009).

**Effects on performance management.** If microbusinesses are less likely to implement formal management practices or such practices are likely to be inappropriate among the informal management style and employee relationships, then current recommendations for performance management and performance appraisal may be inappropriate for these businesses. Performance management as it currently occurs in microbusinesses (when it occurs) may be more informal and continuous than that of larger businesses (Kotey & Slade, 2005). However, informal, employment expectations may lead to conflict during the process of performance management and appraisal: if job performance is not rigidly or explicitly defined, then the criterion for performance management is ambiguous, opening possibilities for disagreement about job responsibilities and acceptable behaviors. The informal working environment, along with the conflicting roles resulting from the family or other close interpersonal relationships between employees, must be considered when determining how performance management may best be implemented in family microbusinesses.
CHAPTER 3

EVALUATION OF CURRENT PERFORMANCE MANAGEMENT PRACTICES FOR MICROBUSINESSES

The development of a performance management system should ideally include six components in a repeating cycle (Aguinis, 2009). The six recommended components are (1) pre-requisite knowledge of (a) the organization’s goals and (b) the job in question, followed by (2) performance planning, (3) performance execution, (4) performance assessment, (5) performance review, and (6) performance renewal and recontracting. The components should repeat across performance review cycles.

However, this existing class of recommendations for performance management, like other theory in I-O psychology, has been developed and validated for larger organizations with clearly-defined jobs (Tetrick et al., 2000). As a result, these recommendations may be impractical or inappropriate for family microbusinesses. In the following sections, each component in the recommended performance management cycle is discussed in more detail. Then, each component is further discussed in the context of the family microbusiness (see also Table 3.1).

Component 1a: Pre-Requisite Knowledge of the Organizational Mission

The first component is comprised of two pre-requisites for implementing a performance management system. These two pre-requisites are (a) knowledge of the mission and strategic goals of the business and (b) knowledge of the job in question (Aguinis, 2009). First, knowledge of the organization’s mission and strategic goals ensures that employees can positively impact the business. Strategic planning includes
determining the goals of the business, assessing any obstacles in achieving those goals, and choosing a plan for achieving the goals. This type of planning informs the appropriate distribution of business resources towards achieving the business goals. Ensuring that goals are clear allows one to set individual job performance goals that will ultimately lead to the success of the business.

Determining the mission and goals of the organization may be relatively simple in microbusinesses, compared to larger businesses, since it is likely that the individual managing employee performance is the same individual who is running the business. The typically flat organizational structure of microbusinesses (Meyer, 1991) may facilitate the identification (and, as needed, adjustment) of organizational goals.

However, different goals may be prioritized in microbusinesses compared to larger businesses. Family microbusinesses in particular may value non-economic outcomes – such as identity, influence, and legacy, called socioemotional wealth (Gómez-Mejía et al., 2007) – just as much or more than the economic performance of the business. Valuing these non-economic, family-focused outcomes may mean that, for example, a dollar amount of sales is relatively less important to a family business than maintaining a respectable family business identity. Such goals may in turn reflect different priorities for job performance related to achieving these goals.

**Component 1b: Pre-Requisite Knowledge of the Job**

Second, knowledge of the job should be established through job analysis, which is a process of identifying what the person does on the job, and what knowledge (i.e., information), skills (i.e., attributes, usually developed in previous work), and abilities
(i.e., aptitude, usually not developed by previous work) the person needs to do the job (Aguinis, 2009). Job analysis can be done by observing, surveying, and interviewing workers and their supervisors. Job performance – the criterion in performance management – should be defined to serve as a basis for evaluation. However, the criterion problem (e.g., Arvey & Murphy, 1998; Austin & Villanova, 1992) or the accurate definition of the job performance domain can be a challenging technical issue in performance management and other business operations.

The criterion problem may be particularly troublesome in microbusinesses, as individual employees may regularly perform multiple jobs and have more latitude to perform the job differently. As businesses grow, individual employees are more likely to perform specialized job duties (Dennis, 2002). Conversely, when businesses are small, it is likely that employees will perform a wide variety of job duties, with imprecise and fluid job definitions (Nicolescu & Nicolescu, 2009). Businesses with up to 24 employees were found to typically have three broad expectations of their employees: (1) flexibility, (2) loyalty and commitment, and (3) responsibility and initiative (Nadin & Cassell, 2007). In addition to broad and vague definitions of job performance, small organizations themselves may be relatively fluid and flat, imposing weak situations where individual differences can impact work behaviors more strongly (Sackett & Arvey, 1993). This autonomy in job performance may exaggerate the difficulty of establishing the requirements of the job and related job behaviors.
**Component 2: Performance Planning**

The second component is performance planning, which includes consideration of both (a) results and (b) behavior, as well as the establishment of a (c) developmental plan (Aguinis, 2009). First, the manager and employee should discuss results – that is, the broad areas for which the employee responsible, and the goals and standards for performance in each of those areas. Second, the manager and employee should discuss the behaviors the employee will perform to achieve those results. Last, the manager and employee should establish a developmental plan, which describes areas of job performance that need improvement and goals to be achieved in each area that needs improvement.

As described in regard to Component 1b (Pre-Requisite Knowledge of the Job), it may be difficult to determine narrow, consistent job duties for individual workers in microbusinesses (Dennis, 2002; Nadin & Cassell, 2007). By contrast, identifying broad areas of responsibility may work well in microbusinesses, as this may reflect the nature of the work done by employees. However, again, individuals may have relatively increased autonomy to determine how they perform their duties in smaller businesses (Sackett & Arvey, 1993), leading to increased variation in work behaviors and further difficulty in defining successful employee behavior. Therefore, performance plans may need to be tailored to individual employees based on how they typically choose to satisfy their broad job responsibilities. Last, the relative interpersonal closeness of the manager and employee in microbusinesses (whether or not the employee is a family member) may promote manager knowledge of current employee performance and facilitate
communication between the employee and manager (Wapshott & Mallett, 2013). These characteristics may facilitate the establishment of a developmental plan that openly and correctly identifies areas of job performance that can be improved.

**Component 3: Performance Execution**

The third component is performance execution, or the actual performance of the job (Aguinis, 2009). Both the employee and manager take responsibility during this phase for actively seeking and proactively providing feedback, respectively, about the employee’s job performance. The employee should openly communicate with his or her manager, including sharing information about his or her own performance. The manager should actively observe and evaluate the employee’s performance on a daily basis. The manager should also address any lacking resources or opportunities that the employee needs to perform the job.

Empirical findings suggest that microbusinesses managers may follow some of these practices already. Many microbusinesses reported providing performance feedback on a daily basis, and more frequently than larger businesses (Kotey & Slade, 2005). Upward communication – that is, from the employee to the manager – may be more open in smaller businesses, even for traditionally difficult topics such as employment negotiation (Wapshott & Mallett, 2013). This relatively open communication channel may promote employee communication about job performance with the manager.

However, the interpersonal closeness that is typical between employees in microbusinesses (d'Amboise & Muldowney, 1988; Gialuisi & Coetzer, 2013) may pose problems in implementing this component of performance management. For example,
dysfunctional communication between family member employees may spill over into the business (Arregle et al., 2007) and thus negatively impact communication about job performance.

**Component 4: Performance Assessment**

The fourth component is performance assessment (Aguinis, 2009). Again, both the employee and manager take ownership of this component. In this component, both the employee and manager should complete a performance appraisal form for the employee. This form should include all of the job duties identified during job analysis and established during the performance planning component. Obtaining objective, accurate ratings in family microbusinesses may be challenging. Performance evaluations in family businesses may generally be more biased, subjective, and complex than that of non-family businesses (Chua, Chrisman, & Bergiel, 2009). The demographic similarity of and quality of the work relationship between the rater and ratee – both possibly related to family status – may inflate performance appraisal ratings (Judge & Ferris, 1993). Furthermore, interpersonal harmony is an important goal for employees, as disagreements between employees can disrupt the whole business (Nadin & Cassell, 2007). Therefore, getting along may be prioritized over other goals in performance management – such as accurate, but upsetting, performance ratings – in a small business. Other politics in organizations may lead to inflation or deflation of performance appraisal ratings (Longenecker, Sims, & Gioia, 1987) in favor of getting along with one’s employees after performance assessment is completed.
Performance appraisal in particular implies a conceptual opposition between the foundational ideas of family and business. Whereas the family operates based on membership alone, performance appraisal operates on the basis of merit (Lansberg, 1983). Social norms for the two domains may differ drastically: whereas parents should not differentiate between children of a family, employers often wish to differentiate between employees. In a family microbusiness, the employees may also be the children, while the rater is a parent. These conflicting norms for behavior from the two roles may result in inaccuracy or other difficulty in assigning performance assessment ratings. Alternatively, in some family microbusinesses, the child may manage a parent employee; this type of working relationship may produce a different set of conflicts and difficulties in assigning performance assessment ratings.

Employee participation – such as through providing self-ratings or self-evaluation of one’s performance – in the performance appraisal process, may reduce the perception that a family member rater is judging his or her family member employee and increase satisfaction with the performance appraisal outcome (Meyer, 1991). Such employee participation may be more common or easier to implement in the interdependent and open environment of smaller businesses (d'Amboise & Muldowney, 1988; Gialuisi & Coetzer, 2013; Wapshott & Mallett, 2013).

**Component 5: Performance Review**

The fifth component is performance review, when the employee and manager meet to review employee performance (Aguinis, 2009). This meeting usually emphasizes past performance, but should also incorporate discussion of present matters (e.g.,
performance-based pay changes) and future matters (e.g., performance goals for the next review cycle).

For family microbusinesses, different types of performance review meetings may imply roles for the rater and the ratee that are inconsistent with the family and/or business roles of these individuals. Formal performance appraisal review meetings, as suggested based on larger organizations, may themselves imply parent and child roles, in which the rater serves as a judge of the ratee (Meyer, 1991). However, performance review meetings that have a more developmental focus or that encourage employee participation through self-appraisal may force the rater into the role of counselor and peer rather than judge and parent. The roles implied by either type of performance appraisal may be incompatible with the existing family and business roles of the individuals involved in the process and performance management may therefore often lead to role-based conflict for these individuals. In the previous component, performance assessment, it is suggested that both the manager and the employee complete the performance assessment, thereby promoting employee involvement and a peer relationship during the performance review meeting. Such role implications may or may not correspond with the interpersonal roles (e.g., child, parent) between the manager and employee, and therefore either facilitate or impede the performance review component of performance management.

Though many microbusinesses report conducting formal performance review meetings (Kotey & Slade, 2005), information about the content and characteristics of performance review meetings in microbusinesses is limited. It is recommended that performance appraisal interviews in microbusinesses – as in other businesses – are
tailored to appropriately suit the situation, based on factors such as the employee’s tenure and level of job performance (Cederblom, 1982). Another factor that may affect the content of the performance review meeting is family membership: when meeting with family employees, the review may focus on or be affected by different topics than when meeting with non-family employees.

**Component 6: Performance Renewal and Recontracting**

The final component is performance renewal and recontracting (Aguinis, 2009). This component mirrors the second component, performance planning, but incorporates information from the prior performance review cycle to modify responsibilities, goals, and plans as needed for the next review cycle. As in Component 2 (Performance Planning), it may remain difficult to identify narrow, consistent job duties of individual workers in microbusinesses (Dennis, 2002; Nadin & Cassell, 2007), as well as how different workers satisfy those duties (Sackett & Arvey, 1993). However, also as in Component 2, relatively open communication among workers and their manager in smaller businesses (Wapshott & Mallett, 2013) may facilitate this component of performance management.

**Study 1**

To examine performance management in family microbusinesses, the present study will employ qualitative interviews with microbusiness owner-managers. When a research area is still being initially explored and context is critical to the research question – as with performance management in microbusinesses – qualitative research methods are the most appropriate (Bachiochi & Weiner, 2004).
Two main purposes guided analyses in Study 1. First, using responses from the sections of the interview on general performance management practices (Section 2) and differences in performance management practices across employees (Section 3), I developed a grounded theory of performance management based on microbusiness managers’ descriptions. This new theory will incorporate any differences that microbusiness managers describe for different employees. More detail on this qualitative research approach is provided in the next chapter.

Second, using responses from the section of the interview on evaluating current I-O recommendations for performance management (Section 4), I report the suitability of current I-O recommendations for performance management for microbusinesses.
CHAPTER 4

STUDY 1 METHOD

Sample

Family microbusiness managers (N = 12) were identified through local Chambers of Commerce and personal networks in South Carolina (n = 6), Louisiana (n = 5), and Ohio (n = 1). A range of geographical locations and industries were purposely sampled to increase validity generalizability. To be included in this study, businesses must have (1) employed one to nine employees (i.e., be a microbusiness per U.S. standards) and (2) employed at least one family member. Participants on average employed 6 workers (SD = 2.41), and 2.08 family members (SD = 1.51) who on average, accounted for 49% of their employees (SD = 32%). Family members employed included mothers (n = 2 participants’ businesses), fathers (n = 3), husbands (n = 5), wives (n = 3), brothers (n = 1), a sister (n = 1), sons (n = 5), daughters (n = 2), a nephew (n = 1), and siblings-in-law (n = 1). Two participants also employed their best friend, and one employed a close friend of the family. One participant employed 10 workers but provided unique insight into a category that had been identified in prior interviews, so this participant’s interview was included in the final analysis.

Interviews continued until the point of thematic saturation, when no new information – i.e., new categories or new information about existing categories – was obtained from interviews. Saturation was achieved with 12 interviews. A sample of 12 participants has additionally been demonstrated to be adequate for achieving thematic saturation in qualitative interview designs (Guest, Bunce, & Johnson, 2006).
Procedure and Materials

Recruitment

Potential participants were identified through local Chambers of Commerce and personal networks in South Carolina, Louisiana, and Ohio. These individuals were contacted by phone, by email, and/or in person by the researcher to gauge interest and qualification for inclusion and to set up an interview.

Interviews

Interviews were conducted either in person at the business location or over the phone based on the preferences of each participant. Interviews were audio recorded and followed an interview guide, though follow-up questions and discussion varied depending on the information shared by each participant. On average, participant interviews lasted 58 minutes ($SD = 27$ min, min. = 26 min, max. = 114 min). The complete interview protocol and guide are provided in Appendix A. Six major categories of questions were asked, including (1) describing the business and employees, (2) describing general procedures that the microbusiness manager follows to motivate employee performance, (3) whether procedures for motivating employee performance differ for different employees, (4) whether procedures for motivating employee performance differ between family and non-family employees, (5) an evaluation of selected recommendations for performance management from I-O psychology as they apply to the manager’s business, and (6) a catch-all question.

For section 5 of the interview protocol, participants were randomly assigned a subset of recommendations for performance management to evaluate during their
Recommendations were combined so as to minimize the amount of new description required within a single interview; for example, participants who are presented with a description of performance planning will also be asked to evaluate a description of performance renewal (i.e., adjusting plans after performance assessment and review). Participants viewed checklists for each phase that used the exact language used by Aguinis (2009) to describe these phases. Participants were asked to verbally evaluate and explain whether each subcomponent of the components of performance management systems are exactly what they do (I do exactly this), similar to something they do (I do something like this), something they don’t do but would work (I don’t do this, but it would work), something that would not work for their business (this would not work), or any other response (Other).

Due to time constraints, this section of the interview was omitted in five of the 12 interviews. The number of participants providing feedback on each set of recommendations ranged from one to three. I coded participants’ responses into each of these response categories and summarized the additional information.

**Transcription**

Interviews were transcribed by paid transcriptionists working through Rev.com. I checked interview transcripts for accuracy and redacted any identifying information (e.g., business name, employee names) from the transcripts before any analysis was conducted.

**Grounded Theory Analysis**

The interviews were used to develop a grounded theory of performance management in microbusinesses. Grounded theory is a qualitative research method
named as such since theory is developed from or grounded in the data, as opposed to the 
a priori application of an existing theory (Creswell, 2007; Strauss & Corbin, 1998).
Grounded theory avoids the pitfalls of applying existing frameworks – such as the 
components of performance management identified and recommended for larger 
businesses – to filter new information in the work setting of smaller businesses 
(Dandridge, 1979). Rather than simply describing microbusiness managers’ performance 
management processes, this qualitative method focuses on generating a theory or schema 
of a process (Creswell, 2007; Strauss & Corbin, 1998), such as the process of 
performance management in family microbusinesses.

The grounded theory approach uses constant comparative analysis of the data. 
Therefore, I began coding responses during data collection, and this developing analysis 
informed the ongoing data collection. Data collection continued until thematic saturation 
– i.e., no new information is obtained in interviews – was achieved. In the first coding 
phase, called open coding, I coded for major categories of information, such as events or 
instances (Creswell, 2007; Strauss & Corbin, 1998). For example, participants described 
instances of caring for employees as individuals as part of their performance management 
process, which served as a code. Two undergraduate research assistants familiar with 
work-family research in organizational psychology assisted with open coding, and 
provided a source of triangulation for identifying codes and understanding participants’ 
meanings.

Next, I began axial coding, during which I identified one central phenomenon 
(Creswell, 2007; Strauss & Corbin, 1998) of the performance management process in
family microbusinesses. At this stage, I revisited the interview transcripts to identify additional codes around the core category. In this study, *caring for employees as individuals* was identified as the central phenomenon. Prescribed categories for identification around the central phenomenon include conditions leading to the core category’s occurrence (e.g., *manager’s personal background in other family businesses*), strategies for responding to the core category (e.g., *communicating differently with each employee*), and conditions that change strategies (e.g., *managers working alongside employees*) (Creswell, 2007; Strauss & Corbin, 1998). Identified codes were reconfigured to combine similar codes into broader categories and then into broader concepts (e.g., codes for *managers working alongside employees* and *no days off for managers* were combined into a single category, *close monitoring of employees by the manager*).

Finally, from these codes, categories, and concepts, I developed a theory that incorporates all of the categories identified in previous steps (Creswell, 2007; Strauss & Corbin, 1998). This final step was the development of a grounded theory, which I then used to develop theoretical propositions for a second, quantitative study of performance management in microbusinesses.
CHAPTER 5
STUDY 1 RESULTS

A Grounded Theory of Performance Management in Family Microbusinesses

The grounded theory approach consists of determining a central phenomenon and additional categories that theoretically precede it, occur in response to it, shape the responses to it, and result from it. Additional details of this analysis are provided in Chapter 4. Below, I describe the categories developed from the data for each component of the theory. An overview of the theory is shown in Figure 5.1, and a detailed version is provided in Figure 5.2. Descriptive statistics and illustrative quotes for categories in the theory are provided in Tables 5.1 and 5.2, respectively. To protect the anonymity of participants, illustrative quotes obscure identifying details about the business or employees whenever such details are not a meaningful part of the quote.

Central Phenomenon: Caring for Employees As Individuals

The central phenomenon in the process of performance management in family microbusinesses was caring for employees as individuals. This individualized care was mentioned in 52 instances (i.e., 10% of 540 coded passages) by nearly all interviewees (10, or 83%, of 12 interviewees). A number of participants specifically noted that their employees were real people rather than depersonalized “numbers” of employees to be managed: See, that's the wild part here because managing the people here, it's not managing those numbers. ... You know, it's managing an actual person.

One participant explained that this treatment is important for both the employee and business performance as follows.
Remember they’re people. Don't look at them as a number. ... And I think if you’re doing that, it builds them up. They need that respect. They need to feel like they’re important. And when you’re having people feel like they’re just a cog in the machine, it degrades them and it ends up degrading the business.

Participants also described different ways that this phenomenon affected how they treated their employees while at work. For example, one participant described changing her expectations for an employee based on her knowing and caring for that particular employee.

She [employee] can't handle people being snippy or rude. She has a very soft personality. And so she will come back there and say, "I can't do dining room [the evening of a particular event]. Please, can somebody else?" And when it's that situation and I know why she's doing it, I'll ask if somebody else is able to do it.

Another participant explained in more general terms that he adjusted his treatment of employees by considering them as people: People sometimes are so strict that if people are a little late, they get on to them too bad or- ... You know? We're all humans. ... We don't want to get up sometimes and sometimes we do.

This core idea underlying performance management in these businesses had two sub-categories: (1) accommodating non-work needs of individual employees and (2) caring for employees beyond only the current job.

Accommodating non-work needs of employees. Over half of participants (58%) mentioned accommodating non-work needs of employees, such as allowing time off from work to attend family events, helping an employee when their personal vehicle broke.
down, or loaning money to an employee whose spouse lost their job, which one
participant described as follows.

That's the biggest thing is, of course, treating them with respect. I think, [and]
getting to know the employees. ... Like, one of our employees, his wife lost her job,
and she's been trying to find another job, so it's nice to come in and say, "Hey, did
your wife ever find another job?" ... You know. "Are you going to be okay?" We
loaned him some money, and he'll pay it back weekly.

Similarly, another participant described helping one of his employees with a
number of issues outside of work, and explained that he perceived this to be a core
difference between his family microbusiness and larger businesses.

...his car broke down and he needed a battery. We bought him a battery to go in
his car. ... His daughter, he didn't have enough money to get food and stuff so we
gave him extra money for food for his daughter and everything. You know, you get
to... Corporations don't have that like/hate relationship with employees, they're
just an employee, they're a number, they're digits.

These employer behaviors illustrate the ways in which family microbusiness
managers appear to regularly provide accommodations to employees’ lives outside of
work in ways that would be unusual or impossible to provide in a larger business.

However, one participant explained that not all situations can or will be accommodated in
these businesses. She described an instance in which [a new employee said], "I'm arguing
with my girlfriend. I need to go home for the day." Well, "Sorry, don't come back." ...
There's some things even a small business can't sacrifice on. Therefore, while these
businesses do accommodate employees in ways above and beyond prototypical larger organizations, there are some limitations – perhaps based on employee tenure or the managers’ judgment of the legitimacy of the non-work concern – to this kindness towards employees in microbusinesses.

**Care for employees beyond the current job.** Nearly half of participants (42%) described caring for employees beyond their current employment with the participant. This care manifested in a number of ways, such as concern for the long-term career success of employees. One participant described wanting his nephew to get work experience beyond only working for the participant’s business: *He needed to get a job on his own merits and not just work for his uncle, because I really feel like that's going to be detrimental to him in the long run.* Similarly, another participant described wanting their employees to leave her business after completing their education:

*I tell them, "I love you guys and I love having you here, but I don't want you stuck here." Because this- Other than for us, because we own it, for them, this is an intermediate job. It's to get them through college until they do their career.*

In addition to concern for employees’ long-term careers, this category of individualized care also manifested as concern for personal, non-work success of employees. One participant described this behavior by saying, *You know, a few of them that have recently gone out on their own, I've talked to them. ...I would teach them about how to grocery shop on a budget. Things that you don't learn in school.* Again, participants described a more personalized approach to managing employees than would be typical or feasible in larger, non-family businesses.
Causal Conditions

Two causal conditions – that is, factors influencing the central phenomenon of caring for employees as individuals – were identified in the narrative data. These two causal conditions were (1) holding different performance expectations for different employees and (2) nonstandardized training for both the manager and employees. It is important to note that causal conditions is standard terminology in the grounded theory approach, and simply refers to categories of conditions that influence the central phenomenon (Creswell, 2007). That is, this term does not imply causality in an experimental sense.

I determined that these two categories were causal conditions because they reasonably influence the likelihood that a microbusiness manager cares for employees as individuals. First, holding different job performance expectations for different employees would reasonably increase differentiation in care for individual employees. By contrast, nonstandardized training for both managers and employees would reasonably increase differentiation in care for individual employees.

Causal condition 1: Different performance expectations for different employees. Holding different expectations for various employees’ job performance was identified in 10 (83%) of the interviews. For example, one participant described lower expectations for certain employees (But as far as expectations for them go, it's really just, “Will you be here in case somebody needs to buy something?”...) compared to other employees (…Where my mom I'm hoping she makes sales and that she talks to people.).
This participant further explained how these differing expectations affected how she operated her retail business by saying:

*My brothers or my husband would be completely fine [on a slow day] because they're more than likely not going to have a really overwhelming experience where they're really freaked out and don't know what to do, so that's something I'll consider.*

Two sub-categories of these varied expectations for employees were identified: (1) expecting better performance from family employees and (2) knowing employees prior to hiring them.

**Expecting “more” of family employees.** One-third of interviewees (33%) mentioned having higher expectations of family employees, such as one participant described by saying:

*And so we might, like a teacher who teaches her own child in her classroom might expect more from them. In a way, I think there's times that we expect her [our daughter employee] to walk that line a little bit tighter. ... Because she's setting the example for the others.*

Another participant described expecting a different outcome – long-term employment with the business – from his family employee compared to a non-family employee.

*So with [Non-Family Employee 1], if we don't have a good relationship, and a trusting relationship and the job orders that she's working on don't look like they're very good, or I haven't done a very good job at bringing in the right...*
She can just call me up and say, "[Participant], thanks it's been great. Goodbye." So I have to respect that relationship. Now, [Son/Employee], he's my son, so he's just not going to say [laughs], "I quit, goodbye." Because I'm going to see him on Sunday for dinner.

**Knowing employees before hiring them.** Half of interviewees (50%) mentioned knowing employees prior to hiring them at the present company. For example, one participant noted that he and his employees had previously worked together in different companies.

*Yeah. We all worked together. [That employee] is a [Insurance Company] agent... He used to come by the shops that I worked at and estimate cars. So I knew him from there. So when he retired and I got my business, I hired him. But all these guys that work for me, we all worked together. At some point in time. In the shops or whatever. Everybody knows everybody, yeah.*

Another participant explained in more detail the ways in which he knew each of his employees before hiring them in his business:

*I've known them- Well, I've known my son all of his life, and I've known [Employee 1] for a very long time, so I knew them before I asked them to join the organization, so I knew their DNA. [Employee 2] and I have worked together for- Oh, probably for about seven years before he came on board [in my company], and [Employee 3], we met through networking, and she's just one of those trusted people that immediately you just want to bring in the organization. ... I really look for their reputation first. I looked for who knew them and who appreciated their...*
work. ...so I did my networking to determine who I wanted to work with in my organization, and they came to me through referrals rather than putting a job on Craigslist or Zip Recruiter or something like that.

**Causal condition 2: Nonstandardized training for manager and employees.**

Nearly all interviewees (92%) mentioned some aspect of manager and/or employee training that varied in standardization across individuals. Some training was highly structured and conducted similarly for all employees – such as mock customer situations acted out by the manager for the employee to complete or off-site training classes. One participant described completing a training class along with his employees by saying:

...we've taken a webinar- There was a whole series of webinars that just went on last week from experts in our field, and we attended those. They were virtual. So we've been discussing what we learned and how we can improve our business based on what the experts said.

Another participant described training as it occurred within her business.

Yeah, we actually do a mock diner situation with them. And at the register, I have them be the employee. And I come in and I take all these different little personalities and I walk up and I'm the angry guy that just got off work. And I'm talking on my phone and ordering the pizza at the same time. And I'm the girl that's kind of going, "Oh my gosh, I don't know what I want." And I take ten minutes, and you have to still stand- I try to do a little bit of everything. I'm like, "You're going to see all of this at some time." You have to be able to guide them where you need them to go, with a smile on your face. So if you have somebody who's taking a long time to order and you do need to be doing something else, say, "I'll tell you what, I'm going to let you take just a second to look at this menu
while I run over here and grab this and do this and I’m going to be right back." And if you do it with a smile on your face, they don't feel abandoned. And the same thing with somebody who's grumpy or on a phone call. Say, "I see you need to finish that phone call. I'm going to step over here, let you finish your call, and I'll be right back with you." And then that way you're not trying to get an order in and decipher it in between them arguing with somebody on the phone.

Other training opportunities were less standardized across individuals and obtained without prior planning, such as a manager reading books related to the business and then sharing relevant information with employees. One participant described an instance of this by saying, …if I come across an article about a better way to greet a customer or something like that, then I would fill her [mom/employee] in on that, or the type of thing that we would say.

Still other training was obtained more indirectly, such as the cases of managers previously working in other family or small businesses, or employees’ family background, described in additional detail in the following sections.

**Nonstandardized employee training.** Nonstandardized employee training was described in 75% of interviews. One example of this nonstandard training was: *Well see that's the thing; most of ones that I've hired, they've been here [as customers]. They hear me saying it [information to customers] behind the counter to all new customers day in and day out.* A similar, nonstandardized training program description from another participant was: *We just go in there and just jump in and start showing them.*
However, one participant indicated that their employee training was standardized across employees, as all employees were trained on all of the positions in the business out of necessity.

*...we train them with everything. Because it being a small mom and pop... You can't have just one person trained on [Position 1] and one on [Position 2] and one on [Position 3]. And if somebody's out sick, then the person who can fill may not know how to do [that position]... So you have to train everybody on everything in the store. They are just all-encompassing crewmembers.*

*The way the employee was raised.* The family background of employees was mentioned in 25% of interviews as having an impact on how the employee performed. One participant noted about an underperforming employee:

*That made me realize that he was being limited or basically coddled, you know. His parents were handling his affairs, and I think he was 23 or 22. ... And in college. I think it was his junior year still. That's what made me realize that that had a whole lot to do with him being basically more lazy than the others.*

*Nonstandardized manager training.* The standardization of manager’s training was described in 83% of interviews, and included a range of training experiences. Some participants had formal certification and/or education related to the business, such as one participant who noted, *I’m certified to teach [in our business]*, and another participant who noted that his college education was in the area of his business services. Other participants described receiving on-the-job training prior to opening the current business, such as:
I started when I was thirteen years old. My [family member]... came by one afternoon and I told him I needed to make some money. He took me up to the shop to see his boss. He took me up there and introduced me to him. And I started working for him the next day after school. ... I used to ride my bicycle up there everyday after school. Normally, I would get there and they would work until five or six o'clock. I got out of school at three o'clock. By 3:15, I would get up to the shop and they would carry me over to somebody's job site somewhere. I would work with them until the end of the day. Then those guys would bring me and my bicycle back to my daddy's house. [laughs]

Still other participants described learning how to manage for the first time as they operated their current business, such as one participant who noted, ...I'm just learning how to manage, on top of get things done, on top of, I don't know, everything else.

Manager background in family or small business. Managers having work experience in a family or small business prior to the current business was mentioned in 42% of the interviews. For example, one participant said:

Well, [husband/co-owner]’s worked [the same type of] business since he was 5 years old, I mean, in some way... Because his parents had a [same type of business] back in [year]. And he was little. And years and years he worked in his family [business].

Another participant pointed out that his background included operating a number of businesses prior to opening the current business.
We've had a few successful things. Our family has always been... My dad, my sister and myself, we've had [one type of business], we've bought and sold [one type of product], we've bought and sold [another type of product]... It's always been something that we had a passion for.

Strategies

Two major categories of strategies – i.e., actions or interactions – undertaken in response to the central phenomenon (Creswell, 2007) of caring for employees as individuals were identified: (1) communication with employees and (2) creating a family environment in the business or among the employees. These categories were identified as strategies that occurred to enact the central phenomenon because they could reasonably be responses to caring for employees as individuals. First, communication with employees would reasonably be one way to care for individual employees differently. Second, creating a family environment would reasonably be another way to enact or react to personalized, caring relationships with employees.

Strategy 1: Communication. Communication was mentioned in 95 instances across all (100%) of the interviews. One participant noted its importance in his business by stating that Communication is number one. ... Alright, that's where a lot of the big companies fail is the lack of communication. The participant further described being transparent in communication with his employees: But I also explain why I'm saying no. I give the explanation. ... I don't just go no, that's it, get the heck out of here. [laughs]

While communication was generally noted for its importance in managing employees in
these businesses, one participant also explained the challenges that come with open communication with employees:

   *We try to keep an open communication line. I feel like that's both the benefit and the negative sometime of being small, like, the door's always open, hey, everybody can talk, we can do things, we can be open about things. But the problem is, the door is always open [laughs]. It's like, alright, we've got to find the time to channel our energies towards improvement and to find the time of just getting the job done. And there's always that challenge of finding the balance of those. And that's probably the biggest challenge as a small business owner. Like, in my corporate career, I always had challenges, I mean- There's always more. If you should be in your job and your job is good and rewarding, you should always be busy. There's always something to do. There's always something to do, but I at least felt like I got a list checked off occasionally, working where I worked before. I can't even get my list written now, being a small business owner. There's so many things that I forget more things than I actually get done now.*

Five additional sub-categories of communication styles or characteristics were identified: (1) addressing performance issues immediately with employees, (2) having one-on-one conversations with employees, (3) tailoring communication styles to different employees (including communicating differently with family employees), (4) having regular meetings with employees, and (5) encouraging and receiving upward communication, from employees to the manager.
Addressing performance issues immediately. Over half (58%) of participants mentioned addressing performance issues as soon as they occurred. As one participant described:

*If you see something that you don't like, let them know right away. It's kind of like what my mom said when I was getting married, "Never do something once for your husband that you're never willing to do again." She said, "If you don't want to take his dirty dishes to the sink after dinner, [if] you expect him to do it, make him do it from day one." If they [do a task] really bad... don't come behind them and fix it, bring them out and show them why it needs to be fixed and have them do it.*

Other participants more specifically described constantly monitoring and correcting employee performance as it occurred. For example:

*Well, if [Owner 1] sees somebody not doing something correctly out there, he's going to go out there right then, and show them. ... And tell them. As opposed to, "Let's have a meeting in the board room at 5:00 tonight." You know. [laughs]*

However, one participant noted that addressing performance issues immediately could result in negative emotional responses from her parent employee: *...I don't always do it the best way. It just depends on how [laughs]- If I see her in the middle of doing something that doesn't look good, that's usually when it's not a great response. Instead, she noted that discussing performance issues later seemed to result in a more positive response.*
**Communicating differently with different employees.** Nearly all participants (92%) described communicating differently with different employees, such as tailoring one’s approach in communicating with various employees. One participated explained this critical component of communication with her employees by saying:

> I think in a small business, though, you really have to be thinking of the person that you're speaking to, and what the best approach is to them, what the best way to talk to them is... [pause] Well, just for example, we have one guy that's a little dramatic, kind of like a woman, and when he's having a bad day, and you need to talk to him, you have to be a little more gentle with him. ... It's true, unfortunately, but if you're in a big business, they don't care about that either. They bring you to the table and say, “You messed up today, go home,” whatever. ... You know I think the approach to them is a big deal. ... Especially when it's family, small business.

On the other hand, one participant emphatically noted that he communicated identically with his non-family employee and his family employee.

*Researcher: Talk to me about if there are some differences between how you would communicate with your partner and how you would communicate with your son.*

*Participant: No [emphasized]. None at all. None at all. I’d say everybody has a good attitude and everybody just kinda rolls with it. There is really no difference...*
Communicating differently with family employees. The majority of participants (83%) also reported communicating differently with family employees. These differences took on a variety of forms. One difference was being more critical with family employees, noted by participants saying, *Family might get chewed out more,* or alternatively, *Family, I can just beat the crap out of them* [hearty laugh]. Other participants described being more blunt when communicating with family. One participant described this difference by saying, *I mean she's my mom so I have no problem telling her how to do something.* Another participant explained that this open communication is easier with family by stating, *I don't really want to step on toes as much when it's someone that's not family. I mean, family, they have to get over it.*

By contrast, one participant explained that rather than being more stringent with family, he felt he was more lenient with his family employees:

*I don't know. I just feel like when I look at other businesses and other bosses that I know, it feels like I'm a little bit more lenient. I let things go by a little bit more. And I don't know if that's because it's family and I feel like, well, what can you do? [laughs] It's not like you can fire them and never see them again. ... They're always going to be part of your life.*

Similarly, one participant explained that, while she communicated more openly with family employees in general, she was also more careful and respectful in communicating with her parent employees about work matters: *I would never correct them [my parents] in front of other employees.*
One participant explained the benefits of the typically open communication between family by saying:

_We can kind of- you have to balance the line there of he's my father and I respect my father, but my father's not always right. Neither am I. And so there is the dynamic of having that openness, and I think we do. And we hurt each other's feelings sometimes, but we have to, to be honest and get things done. But it does add a layer of complexity sometimes to things. I think it's more helpful than hurtful, to be honest. I think having family- Because, who could you trust more than your father? If you have a great relationship, which most people I think do, with their siblings and their parents and things like that. So in some ways that's comforting. I can unequivocally know that he has my best interest in mind and vice versa._

**One-on-one conversations.** One-third of participants described communicating with their employees about job performance through one-on-one conversations. For example, one participant described an upcoming important conversation with an employee by saying, _I'll probably call him in and sit down with him in my office._

**Regular meetings.** Nearly half of participants (42%) described communicating with their employees through regular group or one-on-one meetings that were held regardless of any performance incidents occurring. For example, one participant held monthly meetings with her employees: _We try to have a meeting once a month, just to kind of touch base on everyone, see if they experience anything different... These regular
meetings took place on a variety of schedules, including daily, twice a week, weekly, monthly, 90-day, and biannual meetings.

*Upward communication.* Two-thirds of participants described encouraging or otherwise receiving upward communication from employees, such as soliciting suggestions from employees for new opportunities to grow the business or continually learning information about new products or services from employees. One participant explained the utility of this practice for his business by saying, *...you can learn more from your employees that are actually doing the job than you can sitting in an ivory tower and looking at numbers.* Another participant explained that upward communication could help her as a manager to understand and improve her employees’ job performance:

> We also let them open up to us. If they are sick or they are having a problem at home, because we do try to make it feel more like a little family. If there's something going on that they are not performing well, they might come to us and say, "I'm sorry. I'm not on my point tonight. My grandmother is sick." Or "My parents are getting divorced." Or things they might not normally tell a manager at Wal-Mart. They feel more comfortable coming to us and we can work with it.

**Strategy 2: Creating a family environment.** Creating a “family” or personalized environment was mentioned in 11 instances by nearly half of participants (42%). One participant described this strategy by explaining:

> Well, whenever we can, we like to get together socially, and usually, it's over at a restaurant with a meal and a beer and just getting to know one another, joking, talking, just have those types of relationships. Even when we’re on the conference
calls, we're constantly needling one another [laughs]. It's really that type of relationship.

Another participant described celebrating employee birthdays in the store as a way to create a personalized work environment, and more generally explained: ...we try to treat them like family. I mean, still keeping in mind that they're an employee, but we try to treat them like family, make them feel like they are part of the place.

This participant explained that creating a family environment benefitted both individual employees and her business overall.

...if it's a smaller environment and we treat them like they are part of something, then they want, in turn, to make that something better. And bigger businesses don't have that luxury, because Wal-Mart [at a certain location], they can't sit down with every one of 230 employees that work day shift and say, "Why aren't you keeping up today, honey?" ... Whereas if I take that time, they may actually turn around, work harder, and in the future, let me know what's going on so I might be able to arrange the schedule where they can handle those things. It's a bigger benefit.

Context

Two major contexts – i.e., narrow contextual factors that shape the strategies in the theory (Creswell, 2007) – were identified in the interviews: (1) short-term job performance planning and (2) compensation/rewards. These two categories were identified as contextual factors because participants described ways these categories did or reasonably could affect how participants communicate with employees and create a
personalized work environment. First, job performance plans in these businesses were often fairly short-term, made daily or weekly. The nature of job performance plans in these businesses would necessarily affect the frequency and ways in which managers communicate with their employees about job performance. Second, descriptions of compensation and rewards varied considerably in these businesses, and often were a part of creating or maintaining a personalized environment (e.g., having meals together as a reward for hard work).

**Contextual factor 1: Short-term job performance planning.** Nearly all participants (92%) mentioned regularly creating short-term plans for job performance, such as one participant describing weekly planning: *I give them a break down of what we are going to do that week.* A different participant described using daily plans for employees’ performance:

*I somewhat manage those guys by day, because it was just easier for me... It was just easier to, you know, go leave today, kind of cool down somewhat, get your stress- Unwind basically. And then think about, at some point that night, about what we would do the next day.*

Within this planning, participants also described generally having (1) broad and/or flexible expectations for employee performance that could further vary based on (2) external events that affected the business.

**Broad/flexible job expectations.** Over half of participants (58%) described having broad and/or flexible expectations for employees’ job performance. One participant explained having fairly broad expectations for her employees: *You know, it's [being]
polite to customers, coworkers, on time, cleanliness, work ethic. Just everything we expect. Another participant noted that when his employees were working on a major project, all employees worked on all parts of the project:

They are pretty much doing whatever it takes. The work that we do... there are four or five different machines that have to be run in a specific order. Everybody knows the order and everybody just kind of falls into a little rotation, when one is done then the next one is starting and it just kind of goes from there. Everybody knows the order and knows what needs to be done. ... Nobody is specifically tasked with any particular phase of it.

In addition to broad job expectations, participants described having flexible expectations of their employees: ...there is always something that may come up. You have to end up working a weekend or you have to work a long day or something. But it really doesn't seem to bother my guys.

**Events that affect the business.** Nearly half of participants (42%) mentioned external events – such as local events (e.g., the state fair, sports events), seasons and weather, or roads closing – that affected their business and subsequent plans for employee job performance. For example, one participant noted that for their business, *When it's the beginning of school, or the fair is going on, okay, usually it slows down.* This participant also explained the effects on managing her employees’ performance by saying: ...*you really have to evaluate all that stuff [events going on], and even train the employees. "Okay, remember when you're doing an oil change, when it's winter time, check their wiper blades."*
**Contextual factor 2: Compensation/rewards.** Almost all participants (92%) mentioned compensation and/or rewards as an important component in motivating employees. The forms of compensation (e.g., hourly, salaried) and rewards (e.g., bonus payment, holiday dinners) varied widely. For example, one participant noted that their compensation and rewards included the following.

*We have good vacation time off, and good sick time off. So, after a couple years, they've got 3 weeks a year off. ... And if they don't use some of their sick time at the end of the year, we'll pay that to them.*

One participant described having a more personalized reward for employees:

*...we had her [his sister’s] trailer set up down here at the lake and then that three days that week, Thursday, Friday, Saturday. I think it was Thursday, Friday, and Saturday; you know, we had a cookout down there so as soon as we closed the shop, we all took off down to the lake, everybody knew about it so they brought their swim suits and all and went swimming and we fed them all steak and baked potatoes and everything, cooked out there on the open fire grill.*

However, other participants noted that promotion opportunities for employees were limited simply due to the business size and structure: *But progress-wise, promotion- They do get raises every year. But no movement or anything at this point.*

**Intervening Conditions**

Three major intervening conditions – broader factors that shape the strategies (Creswell, 2007) – were identified in the interviews, including close relationships between (1) the business and owner, (2) the business and all employees, and (3) the
business and family members. These broader intervening conditions were identified as such because they were distinctive components of the family microbusiness that would reasonably impact both how the managers communicated with employees and created personalized work environments.

**Intervening condition 1: Intense closeness between the business and the owner.** Nearly all participants (92%) described a close connection between themselves and the business. One participant described her relationship to her business by saying *...when it's my business, it's kind of like my baby, and I'm the only one here all the time.* Another participant described this close connection between himself and his business more intensely by stating:

*...a lot of people have concerns of losing a house, going into foreclosure, credit going bad, getting behind on bills you can't pay. Just the overall problem of, one day I might not have any money and I've still got to keep on grinding to get back to function in the business. It's all about the business. It's not about your [emphasis] money anymore. It's about doing the things and making decisions that your business keeps surviving.*

**Luxury of having employees.** One-third of participants described having employees to help run the business as a luxury (e.g., being able to afford a manager). One participant explained that there would be many costs for the business associated with having a manager other than herself:

*And having shift managers, one, requires a little bit higher payroll, because obviously you are going to have to pay them more. And it also increases payroll*
because you're not there, and you're paying the extra person in place of you. So it
sort of doubles the increase on the payroll for that day or those days that they
work. So we’re not quite to that point yet.

Monitoring employees. Nearly all participants (92%) explained that they closely
monitor employees, know what they are working on, and how they are performing. One
participant explained that he see[s] everything that goes on. Another participant noted
that he monitored performance even when he was physically away from the business:
...when me and my sister are off, we view the cameras constantly. Other ways of
monitoring employee performance included tracking systems for the work done by
employees, as described by one participant:

...we all share the same software platform, and that houses all of our assignments,
and it houses all of our candidates. And we all have access to that, so when we
are discussing what's going on we can see what talent is in the pipeline, we can
talk about- So we are totally visible on what everybody is doing.

Being on call. One-fourth of participants additionally noted that when they were
physically away from the business, they were always on call for the business. For
example, one participant said: Really I'm just kind of on call for them. ... So they have
access to me even when I'm not there. Just because, just how we are right now, there's
just so much that I think just falls on me.

No days off. Half of participants noted that they were nearly always at the
business and working when the business was operating, and that they never really took
time off from being a business owner, even if they were not physically there. One
participant stated: *You can never leave when you're a business owner.* Another participant explained her experience similarly:

*I'm here every day but Sunday [when the store is closed]. And even Sunday I could end up here for any number of reasons, whatever. I basically have one day off but even then, I mean, you're still thinking about it and what you could be doing, should be doing. Did anyone email you back, that kind of thing?*

**Intervening condition 2: Sharing the business with all employees.** Nearly all participants (92%) described ways in which they shared their business with employees. One participant noted that she was delighted with an employee who treated her business like it was his own: …*he treats it like it's his business, and we love that.* Another participant described this sharing process – i.e., hiring an employee – more gravely by saying: …*one must have conquered in order to get to the point that they can put someone else's life in jeopardy in that business.*

**Impact of one employee on the whole business.** One-fourth of participants noted that a single employee can significantly impact the entire microbusiness. One participant explained this as follows.

*So if he just stands there and talks on his phone and he doesn't do nothing- If he ain't turning no wrenches, he ain't making no money. And then he ain't making the shop money, so then we got a problem.*

Other participants noted that the performance of each individual employee represented their whole business to outside parties. One participant explained by saying: *The attitude of your employees reflects back on you.*
**Sharing a vision.** Nearly half of participants (42%) described the importance of sharing a vision for the business with employees. One participant explained for his business:

*I think what surprises people when they get here is we don't have all these rules. Unless it's expressly forbidden, it is allowed. And so they've been at these places where there's all these rules and they did their task. Here, we try to utilize everyone's skills and talents as much as possible. Getting people a little bit out of that shell is hard. It's not because I want everybody to be a chief, it's not because I want everybody to do everything necessarily, but [sigh] it's hard to get the painter to go, "I could've answered that phone, or I could've helped that customer..." – it's just hard to get people out of their comfort zones a little.*

While participants considered this component important, another participant noted that – not unlike the above participant – his family employees did not always share the vision for the business:

*I guess I had this vision when I started the company that eventually it would be everybody's in this together, it's a family business, the kids would chip in. But, it really hasn't turned out that way. They're not that involved and they're really not that interested now.*

**Trusting employees.** Nearly all participants (92%) mentioned trusting employees as a critical component of their business. One participant explained: *I hire people that I feel like can be trusted to do their jobs.* However, participants also noted that it could be
difficult for them to trust employees to take over the work of the business. One participant described this process in his business by saying:

*I still write everything, go look at everything, write everything, do everything myself. Except for getting the good out. [Wife] takes it and I write the report and she'll- I at least let her scan it and do the invoice and copy it and file it and send it out to people [laughs]. And she takes a lot more of the phone calls, which is good.*

*Less “management” required.* Because employees were hired to be trusted to perform their work as expected, two-thirds of participants also described little need for active management of their employees’ performance. One participant explained as follows.

*When we go on a job, everybody knows what has to be done. We show up and we start doing our things. It’s kind of funny sometimes, we can get to a job site and start working, we can get there at seven and it might be after noon sometimes before anyone says another word to one another.*

**Intervening condition 3: Sharing the business with family.** Three-fourths of participants noted that they shared the business with family members in various ways, including both family employees and family members who did not work in the business. One participant noted: *After getting [the business] set up, I mean, it's just all a family, shared effort, I guess.*

**Impact of/on family outside of the business.** One-fourth of participants noted effects of business on the family outside of the business, or vice versa. For example, one
participant described receiving family input and responses about hiring a particular family member to work in the business:

That's the bad thing about the family thing. It was kind of a- Nobody ever asked me could he come to work here. It was always kind of assumed. “[Nephew] wants to…” - … Of course then his grandmother, my mom, was like, "Oh [Nephew]'s going to come work for you. [Nephew]'s going to come work for you. He says he's going to take over the business," and all that. ... It's kind of like nobody really sat down and asked [emphasis] me or interviewed or anything like that. [laughs] It was like, "Okay, he's coming to work for you."

**Working in the family home.** One-third of participants described working from the family home. One participant noted:

Well, see I refer to my office and it's the left side of my living room. ... Because we have a bigger living room. I've got one of those gigantic Rubbermaid white tables that can fold and unfold. And it'll perfectly hold my laptop and my printer and all my bills and everything. When I bring that out, [my daughter]'s like, "Office time."

**Separating work and family.** Over half of participants (58%) noted various ways in which they strive to keep work and family domains separate. One participant described successfully working with her husband by saying:

When we're [husband and wife] here, it's about business. I'm doing my thing. He's doing his thing. If I need to answer phones, I answer phones. You know, whatever
needs to be done. So we ultimately, thank God, have never had a problem working together.

Another participant explained a strict rule for not discussing work matters with his employees outside of working hours, even though he regularly received customer calls outside of work hours:

...the biggest rule I guess we have is, nights and weekends, we do not discuss work, period. ... Yeah. When we get off in the evenings a lot of times, [Employee] ... is also my best friend. We hunt together, fish together, our families hang out together, but that is the number one rule when we leave work for the day. We do not discuss work, period.

However, not all participants successfully separated these two life domains. One participant reflected:

We probably could set a little more boundaries, like hours, this time. But we love to help people. If we can meet someone [to start doing business with them], we'll drive around the block [from home to the business] and meet them.

**Stakes for family employees.** Half of participants mentioned various stakes that family employees have in the business, such as part ownership or future ownership. One participant noted that her daughter employee understood the importance of the family business succeeding:

... she [daughter/employee] sees [emphasis on “sees”] it pays the bills, she sees [emphasis] it's what covers her school and car. She gets why [emphasis] we do it. It's not a child that's been detached saying, "Mom and Dad go to work," and they

66
never see it and see what they have to do and where the money goes. She sees me pay the bills. She sees the invoices. I think she appreciates why we’re doing it and where the money goes, and so she treats it accordingly.

Consequences

Four consequences of the strategies undertaken by managers – i.e., outcomes of the strategies (Creswell, 2007) of communication and creating a family environment in the workplace – were identified in the interviews. As with causal conditions, consequence is standard grounded theory terminology (Creswell, 2007), and is not intended to imply experimental causality. These were (1) customer service and (2) emotional reactions by both the manager and employees, and (3) employee performance and (4) retention. These categories were determined to be consequences of strategies for communicating with and creating a family environment for employees based on participant descriptions of the relationships between these categories, or by determining the reasonable outcomes of these two strategies.

Consequence 1: Customer service. Customer service was mentioned by 100% of participants, and it often was a very high priority for the business. As one participant described for his business: If the customer is not happy we don't get paid. That is what it is all about.

Customer service was noted as being important even if there were no immediate sales made in one participant’s retail business: ...the interaction with customers is really
important whether or not they even make a sale with the person because hopefully we'll have a relationship with them later on, even if it's not immediate.

This participant further explained the importance of customer’s perceptions of her employees, and how she expected her employees to engage with customers.

The main thing would just be probably interaction with customers. And even telling her things like, "Don't work on the Instagram stuff while we have customers because that just looks like you're playing on your phone or your iPad." Even though I know she's working, but it doesn't look like she's working because she's liking things on Instagram, so that doesn't look great, and that was kind of a weird thing because it is part of her job but it just doesn't look right. But something like if I come across an article about a better way to greet a customer or something like that, then I would fill her in on that, or the type of thing that we would say. Because you don't... We want to interact with customers and not just have someone walk in and like the typical, "Can I help you," and of course someone's going to say no. Usually the response is, "No, I'm just looking." So if you ask something like that, you're almost just like, "I don't want to get up, so I'm just going to ask the generic question that is going to get the answer I want to hear so I can keep sitting here." So we'll talk about different things we can say to kind of engage.

**Customer retention.** Four participants (33%) mentioned customer retention as an important customer outcome. For example, one participant described a relatively close
relationship with his customers, such that they contacted him personally when they needed his business services, even after many years:

*I would say probably sixty percent of the work that we do is repeat work. People that we have worked for over the years. For example, [one job we completed recently was with customers] that we [originally worked with] twenty-two years ago. ... The people had my cell phone number and when the [new problem started], they called me on my cell and said they had a problem, and I said, “Okay, we will be there first thing in the morning.” I’m saying probably sixty percent and maybe more of what we do is from repeat customers.*

*Word of mouth advertising.* Two participants (17%) mentioned customers advertising on behalf of the business as an important outcome. One participant described this occurring in her business by saying:

*We don't have to advertise or anything anymore, it's just all pretty much word of mouth. We get multiple family members coming back, so that always feels good when you see them come back, because it means you're doing something right.*

**Consequence 2: Emotional reactions to work/working together.** Three-fourths of participants mentioned emotional reactions regarding work for both the manager and the employees. These emotional reactions covered a wide range, such frustration or anger (*I've lost my cool with him a few times*) and nervousness or excitement (*...they're nervous about that, but they also get super excited. He was so excited for his first sale.*). However, not all participants experienced emotional reactions to work. One participant explained that he remained emotionless about work matters as a rule:
I stay stressed out. Yeah. Stressed out when you can't pay bills, you got taxes, and you got this, you got that. Yeah, but mad? ... Don't get mad. There ain't nothing to get mad about. I'm just a calm laid-back guy.

**Working together leads to conflict.** One-third of participants mentioned that working closely – both with family employees and with non-family employees – resulted at least occasionally in interpersonal conflict. Occasional conflict with family employees was explained by one participant as the rule, rather than the exception; the participant noted: *You know, when you're working with family, you're going to have arguments.*

Another participant explained that the close working relationships – regardless of family membership – in microbusinesses could lead to conflict:

...especially a small business when you do friends, family... it can be tough sometimes, because you're with each other every day, day in and day out. ... So a bigger business, if you have family or friends, they may not be right there with each other on top of each other every day- ...as a more family type situation, getting on each other's nerves, and then you have different opinions, and only two people, as opposed to a large company, you may have a board of people. You know, to discuss problems, and vote on it, or write out resolutions. You've got two [people] and one, like "No, it needs to be this way." The other one is, "No, it needs to be this way." And so there's conflict in that. But, it's all worked out well here.

**Consequence 3: Employee performance.** One participant (8%) noted that employees were likely to perform their jobs better as a result of the way they were
managed in a family microbusiness. One participant explained that his employees would make personal sacrifices for the business:

And I think some of that kind of stuff is where your loyalty will come in too, you know? ...if I said I'm gonna need one of you to stay here [to work, and miss a fun event elsewhere], they'd look around and go, okay, I'll do it, I'll stay here.

Another participant described how individualized treatment of her employees could improve their job performance by saying:

...if it's a smaller environment and we treat them like they are part of something, then they want, in turn, to make that something better. And bigger businesses don't have that luxury, because Wal-Mart, they can't sit down with every one of 230 employees that work day shift and say, "Why aren't you keeping up today, honey?" ... Whereas if I take that time, they may actually turn around, work harder, and in the future, let me know what's going on so I might be able to arrange the schedule where they can handle those things. It's a bigger benefit.

**Consequence 4: Employee retention.** One-fourth of participants mentioned that employees were more likely to stay with the company as a result of the way they were managed in the business. For example, one participant explained that maintaining a family environment improved employee retention in her business:

That's the main thing with the employees, is keeping them happy, and just being more of a family type business. And I'm sure they'd rather work here... than at a big [company]... Where it doesn't matter if you're sick one day over your sick time.
Theoretical Propositions

In this section, I propose theoretical relationships between categories identified in the grounded theory developed in this study. These theoretical relationships were developed based on participant statements of relationships between categories wherever possible, and otherwise based on reasonable connections between the categories as components of the grounded theory (Eisenhardt & Graebner, 2007).

Causal conditions affect central phenomenon. First, I propose that the two causal conditions – i.e., having different performance expectations for different employees and nonstandardized training processes – are associated with the central phenomenon of caring for employees as individuals. First, variety in performance expectations, stemming from factors such as family membership and knowing employees before hiring them, will reasonably increase the idiosyncrasy of care demonstrated by the manager towards each employee.

*Proposition A:* Having different performance expectations for different employees is associated with owners caring for employees as individuals.

Second, if microbusiness managers have more standardized business or management training – which would likely emphasize more consistent but impersonal management procedures – then they may likely demonstrate care for employees less idiosyncratically. By contrast, if these managers have more individualized training – such as their own background in a family or small business – then they may be more likely to care for employees as individuals.
Proposition B: Nonstandardized training for the manager is associated with owners caring for employees as individuals.

Additionally, if the employees’ training is more informal – rather than standardized training for all employees – this may result in more idiosyncratic care and treatment from managers who know that employees may be trained to different levels.

Proposition C: Nonstandardized training for the employee is associated with owners caring for employees as individuals.

Central phenomenon affects strategies. Next, I propose that the central phenomenon of caring for employees as individuals is associated with the two strategies, communication with employees and creating a family or personalized environment. First, caring for an employee as an individual requires knowing current events happening in employees’ lives and therefore requires timely and individualized communication. Therefore, managers who are involved in the individualized care for employees must communicate with their employees quickly, regularly, and one-on-one, and encourage upward communication from the employee. Additionally, I propose that one reaction to individualized care for employees is the tailoring communication to different employees.

Proposition D-H: The central phenomenon of caring for employees as individuals manifests in the (D) immediacy of communication, (E) regularity of communication, (F) upward communication, (G) one-on-one style of communication and (H) differentiation in communication with employees about their job performance.
Furthermore, I propose that caring for employees as individuals is associated with the broader development of a family or personalized environment in the workplace.

*Proposition I:* Generally caring for employees as individuals manifests in owners creating a personalized environment in the workplace.

**Strategies affect consequences.** Next, I propose that the strategies of communication and creating a family-like environment are associated with outcomes for both the employees and the business. First, I propose that timely and respectful communication strategies – i.e., addressing issues quickly, communicating regularly and one-on-one, encouraging upward communication, and tailoring communications to suit individual employees – will positively impact employee performance. Delivering performance-based information in a timely and individualized manner should improve employee performance.

*Proposition J-N:* The use of timely and individualized communication strategies – specifically, the *(J)* immediacy of communication, *(K)* regularity of communication, *(L)* upward communication, *(M)* one-on-one style of communication and *(N)* differentiation in communication with employees about their job performance positively impacts employee performance.

Similarly, I propose that use of these same timely and respectful communication strategies will be positively related to employee retention.

*Proposition O-T:* The use of timely and individualized communication strategies – specifically, the *(O)* immediacy of communication, *(P)*
regularity of communication, \((Q)\) upward communication, \((R)\) one-on-one style of communication and \((S)\) differentiation in communication with employees about their job performance positively impacts employee retention.

Next, I propose that the same timely and respectful communication strategies will be negatively related to negative emotional reactions from employees about work-related issues.

*Proposition T-X:* The use of timely and individualized communication strategies – specifically, the \((T)\) immediacy of communication, \((U)\) regularity of communication, \((V)\) upward communication, \((W)\) one-on-one style of communication and \((X)\) differentiation in communication with employees about their job performance negatively impacts negative emotional reactions to work.

I also propose that the same tailored and timely communication strategies will be associated with higher quality customer service provided by the employees.

*Proposition Y-AC:* The use of timely and individualized communication strategies – specifically, the \((Y)\) immediacy of communication, \((Z)\) regularity of communication, \((AA)\) upward communication, \((AB)\) one-on-one style of communication and \((AC)\) differentiation in communication with employees about their job performance positively impacts quality of customer service.
The second strategy – creating a family or personalized environment in the workplace will be similarly related to the consequences identified in this theory. Specifically, creating a personalized work environment should be positively related to employee performance and retention, and negatively related to employees’ negative emotional reactions to work. Creating a family-like environment should increase employee loyalty, which should manifest in their improved job performance and increased likelihood of staying in the organization.

*Proposition AD:* Owners creating a family or personalized environment in the workplace positively impacts employee performance.

*Proposition AE:* Owners creating a family or personalized environment in the workplace positively impacts employee retention.

Maintaining a respectful, personalized environment should reduce the likelihood that employees feel disrespected or mistreated, and therefore reduce their negative emotional reactions to work.

*Proposition AF:* Owners creating a family or personalized environment in the workplace negatively impacts employees’ negative emotional reactions to work.

Last, I propose that owners creating a family-like work environment will improve employee performance as indexed by customer service quality. That is, managers creating a respectful, personalized environment for employees will translate into high quality customer service for the patrons of the business.
Proposition AG: Owners creating a family or personalized environment in the workplace positively impacts customer service outcomes.

Contextual factors affect strategies. I propose that one of the more narrow, contextual factors in this theory affects the communication strategies used by business owners. I propose that the short-term job performance planning required in family microbusinesses – resulting from the flexible or vague nature of job expectations or external events that affect the business – affects the communication strategies that are required of managers. Specifically, to successfully manage fluctuating job performance expectations, microbusiness managers must communicate regularly and immediately with employees about job performance.

Proposition AH-AI: Short-term job performance planning increases the (AH) regularity and (AI) immediacy of communication with employees about job performance.

Intervening conditions affect strategies. I propose that two of broad intervening conditions in family microbusiness performance management affect the communication strategies used by business owners, and in turn affect the consequences for employees and the business. First, I propose that close, regular monitoring of employees – often through managers regularly working alongside the employees and taking “no days off” from the business – will impact two of the communication strategies. First, working alongside employees regularly should increase the likelihood that managers know about performance issues and can address them immediately. I therefore propose that close, regular monitoring of employees impacts the immediacy with which managers address
performance issues with employees. Second, I propose that this close monitoring results in a higher frequency of upward communication from the employee to the manager. Both the increased availability of the manager and the likely higher quality relationship developed by working together regularly will result in more upward communication.

*Proposition AJ-AK:* Close, regular monitoring of employees shapes the (AJ) immediacy of communication and (AK) upward communication between managers and employees about job performance.

In the first proposition to directly evaluate differences for family employees, I propose that two contextual factors related to “sharing” the business with family – specifically, (a) separating work and family and (b) family employees knowing what is at stake with business success – will impact the ways that managers communicate with family employees. For example, communicating about job performance might then incorporate reminders of stakes for the family employee, such as future ownership of the business. This communication would be different from communications about performance with non-family employees who may less likely be future owners of the business.

*Proposition AL-AM:* Two aspects of “sharing” the business with family – i.e., (AL) separating work and family and (AM) knowing what is at stake for family employees – increases differentiation in communication with family employees from communication with non-family employees.
Summary

Generally speaking, these theoretical propositions map onto general grounded theory relationships: the causal conditions impact the central phenomenon, which in turn impacts strategies (which are also shaped by narrow contextual factors and broader intervening conditions), and the strategies then impact consequences. However, the theoretical propositions developed here are not exhaustive. Many additional propositions could be developed from this theory, such as more complex, multi-part models. For example, the strategies could be a mediator of a relationship between broad contextual factors and consequences. To illustrate, the intervening conditions of separating work and family could reduce negative employee emotional reactions to work (a consequence) through the mediating strategy of communicating differently with family employees.

Evaluation of Recommendations for Performance Management Practices

For each of the components of the performance management process cycle described by Aguinis (2009), one to three participants provided an evaluation of the fit of the described practices in their business. These results are summarized in Table 5.3. Business owners also provided input on what elements of their management practices were missing from each phase of performance management, and these reports are summarized in this section.

In general, the pattern of quantitative and qualitative results indicated that many of the listed practices were conducted in these businesses, but often, as one participant noted, in a much looser way. For example, managers would meet with subordinates to address issues as they occurred, rather than waiting to address issues in a scheduled
performance review meeting. This happened both due to business necessity – as one bad
day or month in a microbusiness could shut down the entire business – and fit with the
nature of the business – with managers working alongside the employees nearly all of the
time. Therefore, while the spirit of the performance management recommendations
seemed to generally suit microbusinesses, their manifestation differed in many instances
from prototypical practices in larger businesses.

**Phase 1: Prerequisites**

Phase 1 of the performance management process consists of knowing the
organization’s mission, strategic goals for the next one to three years, and the job in
question (Aguinis, 2009). These components must be known prior to implementing a
performance management system.

For each of these three components, two of the three participants evaluating these
recommendations agreed that these components worked as described in their businesses.
For each component, one of the three participants each noted that the component worked
less well or not at all in their business. Fitting with the general theme, however,
participants generally noted that even when the components did work in their business, it
was not necessarily as formal or rigid as implied by the description. To illustrate, one
participant noted that she did consider her organizational mission, *but not in such fancy
terms*. Another participant explained that discussing strategic goals was essentially
impossible in her organization because her parents – who had originally opened and still
owned the business that she managed – were currently in disagreement about their
retirement plans, and this disagreement made planning for a longer timeframe a sensitive subject that was not openly discussed.

Participants also offered two suggestions for components that were not listed in the Prerequisites phase that they would consider in planning for employee performance: the impact of local events on business and unforeseen legal changes that impacted the business. Four other participants also mentioned local events impacting the business, and both of these circumstances seem relatively more critical to smaller businesses than they would be to larger businesses. While larger businesses may be relatively unaffected by fluctuations in the number of customers or type of business that varies with local events (e.g., the state fair, sports events, beginning of the school year), owners of smaller businesses in this sample noted that these events can impact the business considerably. In turn, these events impact their plans or goals for employee performance for that time period. Legal changes were mentioned for a business that completed a particular type of certification training, often occurring with little or no advance warning and requiring considerable changes to the performance plans for all employees in the business. Both of these circumstances would likely have a more considerable impact on the performance management planning process for smaller businesses than they would for larger businesses, and these components are not included in current performance management system prerequisites.

**Phase 2: Performance Planning**

The performance planning phase consists of a meeting between each employee and the manager to discuss and agree upon what needs to be done and how it should be
done (Aguinis, 2009). This discussion should consider both results and behaviors, as well as developmental plans for the employee.

Overall, the two participants who rated this component agreed that the descriptions matched exactly or similarly to what they did in their business. However, the spirit of the descriptions matching the participants’ business operations varied. One participant used an employee handbook that detailed all of the employees’ responsibilities at the outset of their job, likely more closely aligning with the spirit of detailed performance planning. The second participant noted that the hiring process was much more informal and that employee performance was then evaluated on the job. However, both participants evaluating this phase described more impromptu performance planning processes. For example, one participant suggested that immediate correction of performance issues was missing from this phase. The second participant noted that performance planning happened as described, but in a much looser way. While the performance planning process in microbusinesses seems to be concerned with similar performance outcomes and behaviors, the planning seems to generally happen in a more immediate, ongoing way.

There was less agreement about employee development in microbusinesses; rather than continually developing employees, both participants explained that employees are essentially fully trained for all of the work they will be doing either before they apply for the job or at the beginning of their employment in the microbusiness. Additionally, since there is little hierarchy in many microbusinesses, participants here and elsewhere in this sample noted that opportunities for promotion were limited.
A final consideration suggested for addition to the performance planning phase was the approach that one takes to discussing performance issues with each employee. A participant noted that managers must tailor the way they talk to each employee about performance issues, especially since job performance can be a sensitive topic. Similarly, this participant noted that communication can be difficult among family members in the workplace, but the family members tried to not take work issues personally. Therefore, the communication style and perception was an important component of the performance planning process for microbusinesses that is not currently included in this phase.

**Phase 3a: Performance Execution (Employee Responsibilities)**

The performance execution phase consists of a list of behaviors that each employee and supervisor should engage in during the time between performance planning and assessment. This phase was split into two components (employee expectations and manager expectations) for detailed evaluation in this study. There are five behaviors that are recommended for the employee to execute during this time: being committed to job performance goals, proactively seeking feedback, communicating with the supervisor, providing the supervisor with updates, and engaging in regular self-appraisal (Aguinis, 2009).

Overall, the two participants generally agreed that the components did or would work in their business, with the exception of a regular self-appraisal. One participant noted that employees were likely to inflate perceptions of their own performance. The second participant explained that she did not expect this of her family member employees who, despite having financial stakes in the business, did not rely directly on the business
Suggestions for additions to this phase of the performance management process included general performance expectations that may or may not have been explicitly communicated to employees in a prior planning phase, such as being on time and considerate to others. An important addition – suggested by both participants – was for employees to remember the importance of customers, as the employees represent the business to customers and that positive customer perceptions were critical, even if no immediate sales were made.

**Phase 3b: Performance Execution (Manager Responsibilities)**

This phase of the performance management process consists of eight behaviors that the supervisor should engage in during the time between performance planning and assessment, such as documenting employee performance daily, revising employee goals as organizational goals change, and providing regular feedback on employee progress toward goals (Aguinis, 2009). Due to time constraints in interviews, only one participant provided feedback on this phase of the performance management process.

Generally, this participant agreed that the components listed for this phase either did or would work in her business. However, the described practices differed from the spirit of the recommended supervisor behaviors. In one example, the training and developmental activities provided in smaller businesses – like this participant’s – were generally not standardized. For example, this participant described sharing any books or articles that she read related to good business practices with her employees. While this
was indeed a developmental practice, it was far less rigid and formal than standardized internal or external training programs. Again, the findings for this phase of the performance management process indicate that while the recommendations fit microbusinesses, they differ considerably in their form.

The only additional suggestion for supervisor responsibilities was always being on call. While only one participant evaluated this component of the process, two other participants in their interviews also mentioned this practice – of always being on call – during their interviews.

**Phase 4: Performance Assessment**

The fourth phase – performance assessment – entails the supervisor and each employee completing a performance appraisal form for each employee’s performance to assess the degree to which each employee has achieved the desired behaviors and results (Aguinis, 2009). The three participants who evaluated this phase generally agreed that they conducted performance assessment in some form. However, only two of the three participants agreed that this would (or could) entail filling out forms by both the supervisor and the employee. However, one participant noted that completing such forms had only been done once in their business, and one participant noted that this process was still being developed in his business. By contrast, one participant noted that using an “extreme checklist” to evaluate performance would simply not be necessary since she encountered little to no performance issues with her employees. Notably, the performance assessment process – one participant noted – was simply not completed at all for her parents as employees.
One suggested addition to this assessment phase was informally gathering feedback from employees’ peers about their performance, somewhat like 360-degree performance feedback systems. The participant described this as a general check-in rather than specifically asking about each peer employee, but noted that it was an important part of how he evaluated employee performance.

**Phase 5: Performance Review**

The performance review phase entails a one-on-one meeting between the manager and each employee to discuss the performance assessment results (Aguinis, 2009). This meeting should entail a review of past results and behavior, future progress and plans, and present changes in compensation.

Generally, the three participants agreed that the various components of this meeting were covered in their business. However, one participant pointed out that plans for developmental progress would simply not be discussed in their performance review meetings, since the small size of the business left little room for promoting employees. Similarly, participants noted that rather than or in addition to compensation changes, they discussed giving (or taking away) rewards for performance, such as dinners out with their employees or gift cards for employees to enjoy. More generally, participants indicated that this type of meeting happened in an ongoing way; again, while similar elements or practices are important for managing performance in microbusinesses, they are enacted differently.
A missing component from this phase noted by one participant was encouraging upward communication and employee involvement in growing the business as part of performance review meetings.

**Phase 6: Performance Renewal and Recontracting**

The final phase of the performance management process is performance renewal and recontracting, or resetting the performance expectations for employees before the next round of performance and review phases (Aguinis, 2009). The two participants who evaluated this phase generally agreed that this was or could be part of their performance management process. One participant noted that this was limited in their business in its current form, since employees were all-purpose employees with limited room for promotion and related changes in performance expectations. The second participant noted that these adjustments would be more dependent on external events that affected the business (e.g., local events, seasons and weather), and not necessarily programmed to occur with performance reviews. Again, while this component seemed that it would or did work in microbusinesses, it differed in form and timing from prototypical performance management practices in larger businesses.

**Summary**

Overall, the recommendations for performance management processes seem to be generally applicable to microbusinesses. However, in practice, these phases may look considerably different from the rigid, time-based performance management process in larger businesses. By contrast, microbusinesses seem to focus on managing performance as it happens, and adjusting to events quickly, at least partially out of business necessity.
Furthermore, and similar to the findings for the grounded theory, there seems to be an emphasis on considering individual employees and non-work relationships for many components of the process. For example, parent employees in one business did not receive any formal evaluation of their performance. In other businesses, tailoring one’s approach to discussing performance with individual employees seemed to be crucially important. Therefore, instead of emphasizing uniformity in evaluation and time-based (e.g., biannual) management of performance, performance management practices in microbusinesses seem to be event-based and personalized.

*Proposition AN-AO*: Performance management practices in microbusinesses are generally *(AN)* event-based (instead of time-based) and *(AO)* personalized (instead of uniformly applied) for each individual employee.

Overall, while the recommended elements generally still suit microbusinesses (e.g., results and behaviors still matter), the practices of performance management may look considerably different from that of larger businesses.

**Study 1 Conclusion**

The grounded theory of performance management in microbusinesses developed in this study was used for hypothesis generation and testing in Study 2. This new theory may also inform ongoing changes to performance management processes in larger businesses (e.g., Pulakos, Mueller-Hanson, Arada, & Moyea, 2015). Ultimately, these studies make both practical and theoretical contributions to the field of I-O psychology: results provide practical guidance to microbusiness (and perhaps larger business)
managers who need to provide performance feedback to family member employees, as well as extend the theory of performance management to the microbusiness setting.
CHAPTER 6

STUDY 2

The purpose of Study 2 was to evaluate independently and quantitatively evaluate hypotheses from selected theoretical propositions advanced in Study 1. This study provides beginning validation of the grounded theory of performance management and its practices as predictors of business success and interpersonal harmony.

Hypotheses

Study 2 examined a selection of theoretical propositions from the grounded theory developed in Study 1. Specifically, I examined relationships between the central phenomenon and selected strategies in response to the phenomenon (Propositions H & I), and selected subsequent consequences of those strategies (Propositions N, S, X, and AC-AG).

The strategies tested in this study were (1) communicating differently with different employees and (2) creating a family or personalized environment. I selected these two strategies for initial study primarily because they seem likely to be relatively unique to family microbusinesses, as opposed to regular, upward, or one-on-one communication, which may more commonly be used in large or non-family businesses. Additionally, these strategies are likely to be relatively unaffected – compared to the other communication strategies – by contextual and intervening factors in the model. For example, the contextual factor of local events that affect the business and the intervening condition of the manager taking “no days off” from work will likely impact the immediacy of communication with employees about performance issues. Similarly, the
The consequences tested in this study were (1) employee performance, (2) employee retention, and (3) customer service quality. Employees’ negative emotional reactions to work were not tested in this study for two reasons. First, this study was conducted using a sample of managers, rather than individual employees. It would be relatively difficult for managers (compared to employees) to provide accurate evaluations of employees’ emotional reactions to work. Second, this study was cross-sectional and focused on consequences aggregated across employees and across time. It would be difficult to study emotional reactions as an aggregated construct, rather than as responses to discrete events by individual employees. Therefore, this consequence was not examined due to the present study’s design and sample.

Restated as hypotheses, the propositions to be tested in this study were as follows.

_Hypothesis 1 (Proposition H):_ The central phenomenon of caring for employees as individuals is positively related to differentiation in communication with employees about their job performance.

_Hypothesis 2 (Proposition I):_ The central phenomenon of caring for employees as individuals is positively related to owners creating a personalized environment in the workplace.
Hypothesis 3a (Proposition N): Differentiation in communication with employees about their job performance is positively related to employee performance.

Hypothesis 3b (Proposition S): Differentiation in communication with employees about their job performance is positively related to employee retention.

Hypothesis 3c (Proposition AC): Differentiation in communication with employees about their job performance is positively related to quality of customer service.

Hypothesis 4a (Proposition AD): Owners creating a family or personalized environment in the workplace is positively related to employee performance.

Hypothesis 4b (Proposition AE): Owners creating a family or personalized environment in the workplace is positively related to employee retention.

Hypothesis 4c (Proposition AG): Owners creating a family or personalized environment in the workplace is positively related to customer service quality.

Additionally, I examined a comprehensive model of these hypotheses to test whether relationships between the central phenomenon and three consequences were mediated by the two selected strategies: differentiation in communication with employees about their job performance (Hypothesis 5a-c) and creating a family or personalized
environment in the workplace (Hypothesis 6a-c). This complete model is illustrated in Figure 6.1.

Hypothesis 5a-c: Differentiation in communication with employees about their job performance mediates the relationship between the central phenomenon of caring for employees as individuals and (5a) employee performance, (5b) employee retention, and (5c) quality of customer service.

Hypothesis 6a-c: Owners creating a family or personalized environment in the workplace mediates the relationship between the central phenomenon of caring for employees as individuals and (6a) employee performance, (6b) employee retention, and (6c) quality of customer service.

These hypotheses will provide a more comprehensive test of the relationships proposed in Hypotheses 1 through 4, and evaluate whether these two strategies provide an explanation for any relationship between the central phenomenon of caring for employees as individuals and each of the consequences for the employees and business.

Last, I will examine and describe the general style of performance management practices in family microbusinesses. Evidence from Study 1 supported the general conclusion that (1) performance management in these businesses happens in response to events, instead of on a fixed performance assessment and review schedule, and that (2) performance feedback is tailored to individual employees, rather than provided in a uniform manner to all employees.
Hypothesis 7a-b (Proposition AN-AO): On average, performance management practices in microbusinesses are generally (7a) event-based and (7b) personalized for each individual employee.

This hypothesis will evaluate whether these two major attributes are appropriate descriptors of performance management practices in family microbusinesses.

Sample

I primarily used a gatekeeper-based strategy to recruit participants for Study 2. I emailed 543 Membership Directors and other similar staff members (i.e., gatekeepers) at up to 10 Chambers of Commerce in each state across the U.S. For four states, I was unable to find email addresses for 10 contacts, so I emailed all of the available contacts. This was the case for a total of 8 contacts in Rhode Island, 7 in Nevada, 6 in Delaware, and 3 in Hawaii. In addition, I emailed all of the Chambers of Commerce that I could find in the state of South Carolina (i.e., 68 contacts). I requested that these Membership Directors contact managers that they knew in the local area who met my sampling criteria (i.e., businesses employing fewer than 10 workers, at least one of whom is related to the manager) with my information and a link to the online survey. Gatekeepers agreed to contact potential participants by email, in person, through their Chamber newsletters, Chamber social media accounts, and other similar outlets. I conducted a similar recruitment strategy with contacts at 69 Family Business Centers, asking them to share my information with local business owners who met my sampling criteria. Additional methods of recruitment included indirectly (i.e., through a mutual contact) and directly targeting business owners by contacting businesses that I identified through the
Reference USA business directory and Chamber of Commerce directories, paid advertising on Twitter, posting on my own social media accounts (i.e., Facebook, Twitter), personal mutual contacts, Study 1 participants’ suggestions for contacts, and by posting on Reddit forums for small family business owners.

As a result of this strategy, 446 total survey responses were obtained. Of these responses, 128 were from owners of businesses with 1-9 employees that included some family employees. An additional 55 responses were obtained from microbusinesses without family employees; an additional 43 from family businesses of up to 20 employees; and an additional 9 from businesses of up to 20 employees without family. I conducted analyses with two sets of responses: first, I conducted analyses with responses from family microbusiness owners only (i.e., $N = 128$). Second, by including businesses without family employees and with up to 20 employees, I also conducted analyses with a sample of 235 responses. The latter sample size does meet the sample size obtained through power analysis for a medium effect size (i.e., target $N = 219$), while the former sample provides an adequate sample size for large effect sizes (i.e., target $N = 122$). In all following sections, results are first reported for the sample of family microbusiness owners only, then for the sample of all businesses with 1-20 employees.

**Sample of Family Microbusiness Owners**

In the family microbusiness owner sample ($N = 128$), participants represented 16 industries across 38 states. Half of participants were male (50.0%) and, on average, participants were 48.2 years old ($SD = 12.6$). Participants’ businesses had on average been open for 20.1 years ($SD = 23.7$) and had 5.0 employees ($SD = 2.5$). Family
employees included spouses ($n = 65$), children ($n = 40$), parents ($n = 29$), siblings ($n = 28$), nieces and nephews ($n = 8$), siblings-in-law ($n = 5$), and other family members ($n = 17$; e.g., grandchildren).

**Sample of Businesses with Up to 20 Employees**

In the sample of businesses with up to 20 employees ($N = 235$), participants represented 17 industries in 43 states. The slight majority of participants were male (53.6%) and, on average, participants were 48.24 years old ($SD = 12.6$). Participants’ businesses had on average been open for 23.7 years ($SD = 24.3$) and had 6.6 employees ($SD = 4.4$). Family employees again included spouses ($n = 86$), children ($n = 56$), parents ($n = 43$), siblings ($n = 35$), nieces and nephews ($n = 13$), siblings-in-law ($n = 9$), and other family members ($n = 22$; e.g., grandchildren). About one-fourth ($n = 64$, or 27.2% of the sample) of this sample did not have any family members employed in their businesses, though this sample does include all of the family microbusinesses from the first sample.

**Design and Procedure**

Participants completed an survey online hosted on Qualtrics. Participants completed all measures in a single measurement occasion.

**Measures**

Measures included demographic items and questionnaires or items for each construct in the hypotheses. Wherever possible, items from validated scales were used in the study with minimized modifications.
Demographics

Participants were asked to report demographics about their business and employees so that I could verify that they met inclusion criteria before analysis, as well as describe the study sample. Demographic items included the number of employees working in the business (excluding the participant), whether any of the employees were family members, and if so, which family members were employed in the business (e.g., spouse, child, parent, sibling, niece/nephew).

A final item used to verify inclusion criteria asked if the participant had taken part in Study 1 and asked, Did you participate in part 1 of this study, which was an interview with the researcher, Alice Brawley? Thirteen participants in the larger sample (including eight from the family microbusiness sample) endorsed this item; their data were cross-checked with demographic items to verify that no participants in Study 2 took part in Study 1. Therefore, participants in Study 2 comprised an independent sample from participants in Study 1.

Other demographic items asked for the participant’s age and gender, the state in which the business operated, the industry that best described their business, and the number of years that the business had been open.

Central Phenomenon: Caring for Employees As Individuals

Managers’ individualized care for employees was measured using eight total items (α in the present study for family microbusinesses = .70; α for businesses with up to 20 employees = .76), with four items selected from the Coworker-Enacted Informal Work Accommodations to Family Scale (Mesmer-Magnus, Murase, DeChurch, & Jiménez,
two items from the Social Exchange Scale (Shore, Tetrick, Lynch, & Barksdale, 2006), one item from the Employee Orientation subscale of Organizational Practices Measure (Fischer et al., 2014), and one item from the Individualized Consideration subscale of Multifactor Leadership Questionnaire (Bycio, Hackett, & Allen, 1995). All items were modified to be answered from the manager’s perspective. A sample item original item from the Employee Orientation subscale of Organizational Practices Measure (Fischer et al., 2014) is Each employee is treated as a total person. The same item was modified to read, I treat each employee as a total person. These items were rated on a 7-point scale where 1 means never and 7 means always, similar to the original frequency-based response anchors used by three of the four scales (Bycio et al., 1995; Fischer et al., 2014; Mesmer-Magnus et al., 2010). All original and modified items are provided in Appendix B.

For the sample of businesses of up to 20 employees, an adequate sample size (i.e., N around or above 200) was obtained to reliably use structural equation modeling (Tabachnick & Fidell, 2001), so the model fit for each measure was also assessed using four fit statistics. The first fit statistic used was $\chi^2$ (where a nonsignificant value indicates a lack of model misfit). However, this statistic is relatively strongly influenced by sample size and model complexity, so three other common fit indices were used to supplement decision-making about the model fit. For two of the remaining indices – the Comparative Fit Index (CFI) and Tucker Lewis Index (TLI) – the theoretical range of values is 0.00 – 1.00, where higher values indicate better fit, and .90 is a rule of thumb for a well-fitting model. The last remaining fix index used here – the Root Mean Square Error of
Approximation – also theoretically ranges from 0.00 – 1.00, but lower values of this index indicate better fit, and .08 is a rule of thumb for a well-fitting model. These four fit statistics were used together with item loadings to evaluate whether the model fit well for each measure in this study, and if not, to determine which modifications were to be made to each model.

To obtain an adequately fitting measurement model for this scale, the item with the lowest loading – *I treat each employee individually* – was removed from the measurement model. The measurement model for individualized care in the larger sample of businesses of up to 20 employees initially failed to meet the rules of thumb for all four fit indices, with a significant $\chi^2(20) = 81.09, p < .001, \text{CFI} = .85, \text{TLI} = .79, \text{and RMSEA} = .11$. This modification – dropping one item from the scale, noted above – resulted in a well-fitting model according to three of the four indices, $\chi^2(21) = 26.49, p < .05, \text{CFI} = .96, \text{TLI} = .94, \text{RMSEA} = .06$, and was thus considered satisfactory for further analysis. The measurement models were only assessed for the larger sample of businesses with up to 20 employees, since this sample met the recommendations for adequate size to use structural equation modeling; therefore, the measurement models were not assessed in this way for the family microbusiness sample. However, the modifications made to the models in the larger sample were also made in the smaller sample in order to ensure that comparisons of results could be made across these two samples.
Strategy 1: Communication Differentiation and Personalized Performance Management Practices

Managers’ differentiation in communication with different employees was measured using eight total items (α for family microbusinesses = .72; α for businesses with up to 20 employees = .75), including three items from the Feedback Delivery subscale of the Feedback Environment Scale (Steelman, Levy, & Snell, 2004), one item each from the Evaluative Resources and Verbal Communication Resources subscales of the Coworker Resource Scale (Omilion-Hodges & Baker, 2013), and three items written for the present study. Three items with low loadings on the latent factor – i.e., *When I give my employees performance feedback, I am considerate of their feelings*; *I am tactful when giving my employees performance feedback*; and *I evaluate my employee in a way that does not cause them social or personal embarrassment* – were removed from the measurement model for both samples.

These items were modified to be answered from the manager’s perspective. A sample item original item from the Feedback Environment Scale (Steelman et al., 2004) is *When my supervisor gives me performance feedback, he or she is considerate of my feelings*. The same item was modified to read, *When I give my employees performance feedback, I am considerate of their feelings*. A sample item written for the present study was *The way I talk about issues with my employees varies from employee to employee*. These items were rated on a 7-point scale where 1 means *strongly disagree* and 7 means *strongly agree*. All original and modified items are provided in Appendix C.
The measurement model including all of the items fit the data in the larger sample of businesses of up to 20 employees poorly initially per the criteria of all four fit indices, $\chi^2(20) = 239.33, p < .001$, CFI = .64, TLI = .49, RMSEA = .22. The fit of the modified model to the larger sample was more acceptable, $\chi^2(10) = 320.24, p < .001$, CFI = .96, TLI = .93, RMSEA = .10.

Scores on this measure were used for two purposes. First, they were used to test relationships with other constructs in Hypotheses 1, 3a-c, and 5a-c. Second, they were used to evaluate the degree of personalization of performance management practices to individual employees to address Hypothesis 7b.

**Strategy 2: Creating a Family or Personalized Environment**

Managers’ creation of a family or personalized environment was measured using five items total ($\alpha$ for family microbusinesses = .81; $\alpha$ for businesses with up to 20 employees = .76), including four items from the Workplace Friendship Scale (Nielsen, Jex, & Adams, 2000) and one item from the Friendship Resources subscale of the Coworker Resource Scale (Omilion-Hodges & Baker, 2013).

These items were modified to be answered from the manager’s perspective. A sample item original item from the Workplace Friendship Scale (Nielsen et al., 2000) is *I have the opportunity to get to know my coworkers*. The same item was modified to read, *I try to get to know my non-family employees personally*. These items were rated on a 7-point scale where 1 means *strongly disagree* and 7 means *strongly agree*. The model for the measure fit the data from businesses of up to 20 employees well, $\chi^2(5) = 6.49, p = .26,$
CFI = .99, TLI = .99, RMSEA = .04. All original and modified items are provided in Appendix D.

**Consequence 1: Customer Service Quality**

Managers’ perceptions of the quality of customer service provided by employees was assessed using a six-item Employees’ Performance Scale (α for family microbusinesses = .91; for businesses with up to 20 employees = .90; Salanova, Agut, & Peiró, 2005).

These items were modified to be answered from the manager’s perspective. A sample item original item, rated from a customer’s perspective, is *Employees “surprise” customers with their excellent service*. The same item was modified to read, *My employees “surprise” customers with their excellent service*. These items were rated on a 7-point scale where 1 means *completely disagree* and 7 means *completely agree*. The model for this measure fit the data in the larger sample of businesses of up to 20 employees acceptably well, $\chi^2(9) = 29.08, p < .01, \text{CFI} = .97, \text{TLI} = .96, \text{RMSEA} = .10$.

All original and modified items are provided in Appendix E.

**Consequence 2: Employee Performance**

Managers’ perceptions of employee performance was measured using six total items (α for family microbusinesses = .88; α for businesses with up to 20 employees = .89), including three items from the Leader Appraisal of Member Performance Scale (Liden, Wayne, & Stilwell, 1993) and three items from the task performance measure used by Yang, Mossholder, and Peng (2009).
These items were modified to address the performance of employees overall, rather than individual employees. A sample item original item from the Leader Appraisal of Member Performance Scale (Liden et al., 1993) is *Rate the overall level of performance that you observe for this subordinate*. The same item was modified to read, *Rate the overall level of performance that you observe for your employees*. The items from this scale were rated on 7-point scales with variable anchors that matched the original response scales, such as 1 for *unacceptable* and 7 for *outstanding* for the sample item. Items from the task performance measure (Yang et al., 2009) were rated on a 7-point scale where 1 means *strongly disagree* and 7 means *strongly agree*. All original and modified items, plus rating scale anchors, are provided in Appendix F.

Two items with low loadings on the latent factor – i.e., *What is your personal view of your employees in terms of their overall effectiveness?* and *Overall, to what extent do you feel your employees have been effectively fulfilling their roles and responsibilities?* – were removed from the measurement model for both samples. Notably, these two items were two with variable rating anchors that were different from three of the four retained items and similar to each other (i.e., *very ineffective* to *very effective*; and *not effectively at all* to *very effectively*, respectively, for the items listed above), so the observed misfit of these items in the measurement model could reflect common method effects due to the scale anchors (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The measurement model with all of the items fit the data in the larger sample of businesses of up to 20 employees very poorly initially, $\chi^2(9) = 277.24, p < .001$, CFI = .77, TLI = .62, RMSEA = .26. The fit of the modified model – i.e., with the
two items noted above removed – to the larger sample of data was more acceptable, $\chi^2(2) = .18, p = .92, \text{CFI} = 1.00, \text{TLI} = 1.00, \text{RMSEA} < .001$.

**Consequence 3: Employee Retention**

Managers’ perceptions of employee retention was measured using six total items ($\alpha$ for family microbusinesses = .72; $\alpha$ for businesses with up to 20 employees = .69), including three items from the Intention to Quit Measure (Wayne, Shore, & Liden, 1997), two items from the Job Withdrawal Cognitions Measure (Carson & Bedeian, 1994), and one item written for the present study.

Existing items were modified to be answered from the manager’s perspective. A sample item original item from the Intention to Quit Measure (Wayne et al., 1997) is *I think I will be working at [company name] five years from now*. The same item was modified to read, *I think my employees will be working at my business five years from now*. The item written for the present study read, *Ideally, I’d like to hire employees who will work for my business until they retire*.

Two items with low loadings on the latent factor – i.e., *My employees are actively looking for other jobs* and *My employees talk often about quitting this job* – were removed from the measurement model for both samples. Notably, both of the removed items were reversed-scored items, which have been found to be problematic in factor structures in other common measures (Tomas & Oliver, 1999). The original measurement model, including all of the questionnaire items, fit the data in the larger sample of businesses of up to 20 employees poorly initially, $\chi^2(9) = 124.16, p < .001, \text{CFI} = .72$,
TLI = .53, RMSEA = .23. The fit of the modified model to the larger sample was more acceptable, $\chi^2(2) = 4.28, p = .12$, CFI = .99, TLI = .97, RMSEA = .07.

Three additional items were written for the present study to further assess employee retention in family microbusinesses. The first of these items is *Some jobs in my business are seasonal work rather than year-round jobs*. Two follow-up items for respondents who endorse the first question will ask *How many positions in your business are seasonal?* The second question asked participants to rate their agreement with the statement, *My ideal seasonal employee would return to work my business year after year.*

Dichotomous *yes* or *no* response options were used for the first item about short-term employee retention (i.e., *Some jobs in my business are seasonal work rather than year-round jobs*), and a numerical response was requested for the item asking about the number of seasonal positions. All other items were rated on a 7-point scale where 1 means *strongly disagree* and 7 means *strongly agree*. All original, modified, and new items, as well as items that were removed from the scale before further analysis, are reported in Appendix G.

**Objective Employee Retention**

In addition to obtaining subjective manager perceptions of employees’ likelihood to stay, I also requested estimates of the number of employees who had quit for various reasons during the whole time the business had been open. For example, I asked for a number of employees who had quit for another line of work as well as a number who had quit for another job in the same line of work. To obtain an estimate of “negative” turnover, I added two reported values: (1) the number of individuals who had quit to
work in another job in the same industry and (2) the number of individuals who had been fired. To make this value comparable across businesses, I divided the resulting value by the number of employees in the business times the number of years the business had been open. Therefore, this value represented the number of employees who had quit for a similar job or been fired per the number of positions in the company each year. All items measuring objective employee retention are reported in Appendix H.

**Event-Based and Time-Based Performance Management**

The degree to which performance management occurs in response to events was measured using six items written for the present study. Three items each were written to measure event-based performance management ($\alpha$ for family microbusinesses = .78; $\alpha$ for businesses with up to 20 employees = .79) and time-based performance management ($\alpha$ for family microbusinesses = .87; $\alpha$ for businesses with up to 20 employees = .85). A sample item for event-based performance management read, *I discuss job performance with my employees as issues come up*. By contrast, a sample item measuring the extent to which performance management occurs on a time-based schedule was, *I discuss job performance with my employees in regular meetings, regardless of whether there have been any issues*. These items were rated on a 7-point scale where 1 means *strongly disagree* and 7 means *strongly agree*. All items for these construct measures are provided in Appendix I.
CHAPTER 7
STUDY 2 RESULTS

Analyses were conducted twice: first, using responses from participants who met the initial inclusion criteria – i.e., having 1 to 9 employees, who included at least one family member employee ($N = 128$) – and, secondly, for a sample that met the expanded inclusion criteria of having up to 20 employees, including businesses with and without family employees ($N = 235$). For all Study 2 results, findings are first reported for the sample of family microbusiness owners, meaning those businesses with less than 10 employees, who include at least one family member employees. Next for each Study 2 analysis, results are reported for the sample of business owners with up to 20 employees, including both family and non-family employees. Notably, analysis procedures differed for the two samples, based on the adequacy of sample sizes. The family microbusiness sample did not meet the rule of thumb to have a sample of about or above 200 for using structural equation modeling (Tabachnick & Fidell, 2001). Therefore, for this sample, most analyses were conducted using regression models in IBM SPSS 23. Mediation analyses were conducted separately for each outcome variable using bootstrapping approach using the PROCESS macro, which Hayes asserts provides similar results to what would be obtained with a structural equation model that models all dependent variables simultaneously (Hayes, 2013).

Since the sample of businesses with up to 20 employees did meet the recommended size for using structural equation modeling, analyses for this sample were conducted using the lavaan package in R (Rosseel, 2012) for structural equation
modeling. These analyses were supplemented with a Poisson regression model and descriptive statistics examined in IBM SPSS 23.

For both samples, when multiple predictors were included (i.e., Hypotheses 3a-c and 4a-c), models were supplemented with relative weight analyses (RWAs). RWAs were conducted using the online tool RWA-WEB (Tonidandel & LeBreton, 2014). This analysis first transforms the predictors to be orthogonal to each other but maximally related to the original predictor scores; then, one regresses the outcome scores on the transformed predictors, and thus provides a more accurate estimate of the relative contributions of the correlated predictors in explaining scores on the outcome variable (Tonidandel & LeBreton, 2011).

**Data Screening**

Data were first checked for outlying responses using descriptive statistics (i.e., verifying maximum and minimum values within scale or other reasonable bounds) and Mahalanobis’ distance in both samples separately. No outlying responses were found. Missing data were observed for 75 responses (1.30% of all responses to all study construct scales) in the family microbusiness sample, and 103 responses (0.97% of all responses to study construct scales) for the sample with up to 20 employees. Missing data for all construct scales were imputed separately for each sample using the expectation maximization (EM) algorithm (Newman, 2003). Next, internal consistency reliability was evaluated for all measures since they were modified or newly used with this novel business population; Cronbach’s alpha (α) for all measures neared (i.e., α = .69) or exceeded the traditional standard α = .70 in both samples and the measures were thus
deemed acceptable (Nunnally, 1978). Each measure was further evaluated for the sample of business owners with up to 20 employees using structural equation modeling; results of these evaluations are reported in the previous chapter for each measure. All modifications made to the measurement models for the larger sample – i.e., items dropped from the individualized care, communication differentiation, employee performance, and employee retention measures – were also done for the family microbusiness sample, to ensure that comparisons across groups were based on the same data.

Descriptive statistics for the sample of family microbusiness owners are reported in Table 7.1, and descriptive statistics for the sample of business owners with up to 20 employees are reported in Table 7.2.

Central Phenomenon’s Association with Strategies

In Family Microbusinesses

The central phenomenon – caring for employees as individuals – was positively associated with differentiation in communication with employees about their job performance, $B = .37$, $SE = .09$, $p < .001$, and owners creating a personalized environment in the workplace, $B = .23$, $SE = .11$, $p < .05$, supporting Hypothesis 1 and 2, respectively. Overall, the central phenomenon explained 12.50% of the variability in communication differentiation and 3.20% of the variability in creating a personalized environment. See Table 7.3.
In Businesses with Up to 20 Employees

The central phenomenon of individualized care for employees was also significantly, positively related to both communication differentiation, $B = .24$, SE $B = .05$, $p < .001$, and creating a personalized work environment, $B = .32$, SE $B = .09$, $p < .01$, for the sample of businesses owners with up to 20 employees. Therefore, Hypotheses 1 and 2 were supported in both samples. See Table 7.4.

Strategies’ Associations with Consequences

In Family Microbusinesses

Hypotheses 3a-c and 4a-c about the positive association between the two strategies – communication differentiation and creating a personalized environment, respectively – and the three consequences were fully supported for the strategy of personalized environment creation, but not supported for the strategy of communication differentiation. Results of the multivariate regression are reported in Table 7.5, and results of the supplementary relative weight analyses – which parse the variance that is uniquely explained by each predictor strategy – are reported in Table 7.6.

More specifically, differentiation in communication with employees about their job performance was not significantly related to employee performance, $B = .09$, SE $B = .07$, $p = .17$, unique $r^2 = .02$, employee retention, $B = -.16$, SE $B = .11$, $p = .14$, unique $r^2 = .01$, or to customer service quality, $B = .05$, SE $B = .09$, $p = .58$, unique $r^2 = .004$.

Therefore, Hypotheses 3a-3c were not supported. However, owners creating a family or personalized environment in the workplace was significantly positively related to employee performance, $B = .12$, SE $B = .05$, $p < .05$, unique $r^2 = .04$, employee retention,
$B = .27$, $SE B = .09$, $p < .01$, unique $r^2 = .06$, and customer service quality, $B = .24$, $SE B = .07$, $p < .01$, unique $r^2 = .08$, supporting Hypotheses 4a-4c.

Additionally, I tested whether Hypotheses 3b and 4b were supported with objective reports of turnover by managers. To test this, I calculated a rate of “negative” turnover by adding two reported values: (1) the number of individuals who had quit to work in another job in the same industry and (2) the number of individuals who had been fired. This rate had a heavy positive skew (see Figure 7.1) with a large number of cases having values near zero, forming a Poisson distribution. Therefore, I conducted this supplementary analysis using Poisson regression, which transforms the data to be linear and thus provides a more accurate evaluation of the predictors. However, to account for numbers of employees and years open – i.e., having one employee out of 10 employees quit over the course of 50 years of business operation is different than having one employees out of two employees quit in the course of a single year – the product of the number of employees and years the business had been open was used as an offset in the regression. It is important to note that higher scores on this dependent variable here represent higher turnover, as opposed to the higher scores indicating higher retention for the subjective retention measure.

Results indicated that communication differentiation was marginally significantly associated with reduced raw counts of turnover, $B = -.12$, $SE B = .06$, $\chi^2(1) = 3.81$, $p = .051$, providing some support for Hypothesis 3b. See Figure 7.2. Based on this supplementary test, I conclude that Hypothesis 3b is partially supported; specifically, this support is found when examining objective – as opposed to subjective – employee
retention. Like the results obtained with subjective employee retention, creating a personalized work environment again supported Hypothesis 4b’s prediction of a significant negative relationship with employee retention, $B = -.22$, $SE_B = .05$, $\chi^2(1) = 16.54$, $p < .001$. See Figure 7.3.

**In Businesses with Up to 20 Employees**

In the sample of businesses with up to 20 employees, both strategies were found to be significantly associated with the outcomes of employee performance and customer service quality, supporting Hypotheses 3a, 3c, 4a, and 4c. However, for Hypotheses 3b and 4b, both strategies were only marginally significantly related to subjective ratings of employee retention. Further analyses with objective employee retention data indicated a positive association between communication differentiation and retention, but a negative association between personalized environment creation and retention. See Table 7.7 for the complete analysis results and Table 7.8 for the supplementary relative weight analysis.

Differentiation in communication showed a significant positive relationship with employee performance, $B = .52$, $SE_B = .18$, $p < .01$, unique $r^2 = .03$, and customer service quality, $B = .69$, $SE_B = .20$, $p < .01$, unique $r^2 = .03$, supporting Hypotheses 3a and 3c. This strategy was marginally significantly related to managers’ perceptions of employee retention, $B = .48$, $SE_B = .27$, $p = .07$, unique $r^2 = .00$, providing marginal support for Hypothesis 3b. Like communication differentiation, personalized environment creation was significantly positively related to employee performance, $B = .13$, $SE_B = .06$, $p < .05$, unique $r^2 = .04$, and customer service quality, $B = .21$, $SE_B = .06$, $p < .001$,
unique $r^2 = .10$, supporting *Hypotheses 4a* and *4c*. Again like communication
differentiation, personalized environment creation was only marginally significantly
related to managers’ perceptions of employee retention, $B = .17$, SE $B = .09$, $p = .06$,
unique $r^2 = .03$, providing marginal support for *Hypothesis 4b*.

As done with the family microbusiness sample, I also conducted a Poisson
regression on the raw count of “negative” employee turnover (i.e., quitting to work in a
different job in the same industry, plus employees who had been fired) for the sample of
businesses with up to 20 employees to match the distribution seen in this data (see Figure
7.4). Again, I note that the dependent variable scores for this analysis indicate higher raw
counts of turnover, and the product of the number of employees and the number of years
the business had been open was used as an offset variable in the regression in order to
analyze the raw count as a rate, per number of employees per year. Results showed that
both strategies were significantly related to turnover. Communication differentiation
showed a significant negative relationship, indicating reduced turnover, $B = -.31$, SE $B =
.03$, $\chi^2(1) = 104.80$, $p < .001$, providing support for *Hypothesis 3b*. See Figure
7.5. Personalized environment creation was also significantly related to turnover in this
analysis, but showed a positive relationship, indicating higher levels of turnover with
higher levels of personalized environment creation, $B = .10$, SE $B = .04$, $\chi^2(1) = 7.03$, $p <$
.01. This result contradicts the direction of *Hypothesis 4b* and results from the sample of
family microbusiness owners. See Figure 7.6.
Post Hoc Analyses: Communication Differentiation’s Relationship with the Consequences

To better understand the different effects observed for communication differentiation – including nonsignificant effects with all three consequences in the family microbusiness sample and significant effects with the larger sample of all businesses with up to 20 employees – I conducted post hoc analyses to compare these relationships in the sample of family microbusinesses \( (n = 128) \) to the relationships observed in the samples of (2) non-family microbusinesses \( (n = 55) \) and (3) family businesses with more employees than the microbusinesses, up to 20 employees \( (n = 43) \).

In the non-family microbusiness sample, communication differentiation was not significantly related to customer service quality, \( B = .01, SE \ B = .13, p = .92 \), employee performance \( B = -.06, SE \ B = .15, p = .72 \), or employee retention \( B = .03, SE \ B = .17, p = .87 \). This pattern of nonsignificant results mirrored those observed with family microbusinesses. In the sample of family businesses with 10 to 20 employees, however, communication differentiation was marginally significantly related to customer service quality, \( B = .27, SE \ B = .14, p = .06 \), and employee retention, \( B = .32, SE \ B = .19, p = .10 \), but not significantly related to employee performance, \( B = .10, SE \ B = .11, p = .36 \). This pattern of results more closely matched those of the larger sample of all businesses with up to 20 employees. These results support the conclusion that communication differentiation’s positive effects on the consequences of customer service quality and employee retention may be limited to family businesses that are larger than 10 employees.
Post Hoc Analyses: Personalized Environment Creation’s Relationship with Objective Employee Turnover

To better understand the unexpected reversed effect of personalized environment creation on objective turnover counts across the two samples (compare Figures 7.3 and 7.6), two post hoc analyses were conducted to examine the relationship between personalized environment creation and turnover in microbusinesses (i.e., 1 to 9 employees) that had no family employees and in family businesses with 10 to 20 employees. These post hoc analyses allow a comparison of the effect seen in the sample of (1) family microbusinesses \((n = 128)\) to the effect in the samples of (2) non-family microbusinesses \((n = 55)\) and (3) family businesses with more employees than the microbusinesses, up to 20 employees \((n = 43)\). This association was not tested in non-family businesses with 10 to 20 employees due to a low sample size, \(n = 9\). For comparison’s sake, communication differentiation was also included in these post hoc tests. However, I also ran these analyses without communication differentiation in the models to check for suppression between the two predictor variables as a cause for the sign reversal. Similar regression coefficients – with changes in the first, second, or third decimal place – were obtained in both analyses for each sample. As before, the log of the product of the number of employees and the number of years the business had been open was included in the regression model as an offset factor, to effectively treat the number of “negative” quits as a rate per number of employees per year.

For reference, in family microbusinesses, personalized environment creation was significantly related to reduced turnover counts, \(B = -.22, \text{ SE } B = .05, \chi^2(1) = 16.54, p <\)
.001. See Figure 7.3. Meanwhile, in all businesses of up to 20 employees, personalized environment creation was significantly related to increased turnover counts, $B = .10$, SE $B = .04$, $\chi^2(1) = 7.03$, $p < .01$. Poisson regression was again a good fit for the post hoc analyses on non-family microbusinesses and family businesses with 10-20 employees, based on the distribution of turnover seen in these samples (see Figure 7.7 and 7.8, respectively).

In non-family microbusinesses, personalized environment creation was associated with reduced counts of unwanted turnover, $B = -.52$, SE $B = .09$, $\chi^2(1) = 37.49$, $p < .001$, matching the result seen in family microbusinesses. This relationship is illustrated in Figure 7.9. By contrast, in family businesses with 10-20 employees, personalized environment creation was related to increased counts of unwanted turnover, $B = .55$, SE $B = .06$, $\chi^2(1) = 72.84$, $p < .001$, illustrated in Figure 7.10. Therefore, Hypothesis 4b – that personalized environment creation would be associated with reduced turnover – is supported in these samples of family microbusinesses and non-family microbusinesses. However, an effect in the opposite direction of the hypothesis – namely, more personalized environments associated with higher turnover – is observed in family businesses that are slightly larger and employ 10-20 workers. While the sample sizes for each subset of businesses are relatively small, these results preliminarily suggest that the positive association between personalized environment creation and turnover is limited to microbusinesses, rather than family businesses.
Complete Mediation Model

In Family Microbusinesses

In a test of the complete mediation model, three mediation effects were found to be significant. First, the strategy of communication differentiation significantly mediated the relationship between individualized care for employees and employee retention, supporting Hypothesis 5b. Second, the strategy of personalized environment creation significantly mediated the relationship between individualized care for employees and (1) employee retention and (2) customer service quality supporting Hypotheses 6b and 6c. Hypotheses 5a, 5c, and 6a were not supported.

More specifically, communication differentiation did not significantly mediate the relationship between individualized care and customer service quality, $B$ for the indirect effect $= -.01$, $SE\ B = .03$, 95% CI $= [-.0684, .0478]$, which did not support Hypothesis 5c. Communication differentiation accounted for 3% of the total relationship between individualized care and customer service quality. Similarly, personalized environment creation did not significantly mediated this relationship, $B$ for the indirect effect $= .05$, $SE\ B = .03$, 95% CI $= [.0072, .1558]$, therefore not supporting Hypothesis 6c. Personalized environment creation accounted for 18% of the relationship between individualized care with customer service quality. See Table 7.9 and Figure 7.11.

Next, communication differentiation significantly mediated the relationship between individualized care and employee performance, $B$ for the indirect effect $= .02$, $SE\ B = .02$, 95% CI $= [-.0176, .0805]$, therefore not supporting Hypothesis 5a. Communication differentiation accounted for 18% of this relationship. Personalized
environment creation also did not significantly mediate the relationship of individualized care with employee performance, \( B \) for the indirect effect = .03, \( SE \ B = .02 \), 95% CI = [-.0045, .0780], therefore not supporting Hypothesis 6a. Personalized environment creation accounted for 20% of the relationship between individualized care with employee performance. See Table 7.10 and Figure 7.12.

Last, communication differentiation significantly mediated the relationship of individualized care with subjective employee retention, \( B \) for the indirect effect = -.08, \( SE \ B = .04 \), 95% CI = [-.1837, -.0145], supporting Hypothesis 5b. This negative indirect effect results from the negative association observed between communication differentiation and employee retention which was marginally significant, \( B = -.22 \), \( SE \ B = .11 \), \( p < .10 \). Communication differentiation accounted for 53% of this relationship. By contrast, personalized environment creation did significantly mediate the relationship between individualized care and subjective employee retention, \( B \) for the indirect effect = .06, \( SE \ B = .03 \), 95% CI = [.0097, .1402]. Therefore, Hypothesis 6b was supported. Personalized environment creation accounted for 37% of the relationship between individualized care with subjective employee retention. See Table 7.11 and Figure 7.13.

**In Businesses with Up to 20 Employees**

A different pattern of results was observed for the sample of business owners with up to 20 employees: all mediating paths were significant except that communication differentiation did not significantly mediate the relationship between individualized care and employee retention. In this sample, Hypotheses 5a, 5c, 6a, 6b, and 6c were supported, while Hypothesis 5b was not supported. By contrast, in the family
microbusiness sample, Hypothesis 5b was supported, while Hypotheses 5a, 5c, and 6a were not supported.

More specifically, communication differentiation significantly mediated the relationship between individualized care and customer service, $B$ for the indirect effect = .16, SE $B = .07$, $p < .05$, supporting Hypothesis 5c. Communication differentiation accounted for 53% of this relationship. Likewise, personalized environment creation significantly mediated the relationship between individualized care and customer service, $B$ for the indirect effect = .08, SE $B = .03$, $p < .01$, supporting Hypothesis 6c. Personalized environment creation accounted for 27% of this relationship. See Table 7.12 and Figure 7.14.

The relationship between individualized care and employee performance was also significantly mediated by communication differentiation, $B$ for the indirect effect = .15, SE $B = .07$, $p < .05$, supporting Hypothesis 5a. Communication differentiation accounted for 73% of this relationship. Similarly, personalized environment creation significantly mediated the relationship between individualized care and customer service, $B$ for the indirect effect = .08, SE $B = .03$, $p < .01$, supporting Hypothesis 6a. Personalized environment creation accounted for 27% of this relationship. See Table 7.13 and Figure 7.15.

Communication differentiation did not significantly mediate the relationship between individualized care and employee retention, $B$ for the indirect effect = .11, SE $B = .09$, $p = .24$; therefore, Hypothesis 5b was not supported. Despite statistical insignificance, communication differentiation did account for 48% of the existing
relationship between individualized care and employee retention. This was the only nonsignificant mediation effect, but it was observed in both the family microbusiness sample and in this sample of businesses with up to 20 employees. Personalized environment creation did however marginally significantly mediate the relationship between individualized care and employee retention, \( B \) for the indirect effect = .06, \( SE B = .04, p = .07 \); therefore, Hypothesis 6b was marginally supported. Personalized environment creation accounted for 29% of this relationship. See Table 7.14 and Figure 7.16.

**Post Hoc Analyses**

Similar to the findings with objective negative turnover rates, I conducted post hoc mediation analyses to better understand the contradictory findings for Hypotheses 5a, 5b, 5c, and 6a, where significant effects were found for either the family microbusiness or the larger sample, while nonsignificant effects were found in the other sample. Hypotheses 6b and 6c – with personalized work environments mediating the relationship between individualized care and (6b) employee retention and (6c) customer service – were both found to be significant and supported in both samples. To isolate effects of business size or family employees as before, I compared results for the sample of family microbusinesses (\( n = 128 \)) to the sample of non-family microbusinesses (\( n = 55 \)) and the sample of family businesses with 10 to 20 employees (\( n = 43 \)). These post hoc analyses – except for those previously conducted using the lavaan package in R for the sample of all businesses with up to 20 employees – were conducted using the PROCESS macro in IBM SPSS 23.
First, for the hypothesis that communication differentiation would mediate the relationship between individualized care and customer service quality (Hypothesis 5c), a nonsignificant mediation effect was found for the family microbusiness sample, $B$ for the indirect effect $= -.01$, $SE_B = .03$, 95% CI $= [-.0684, .0478]$. By contrast, the same effect was significant in the sample including all businesses with up to 20 employees ($N = 235$), $B$ for the indirect effect $= .16$, $SE_B = .07$, $p < .05$. In the sample of non-family microbusinesses, communication differentiation did not significantly mediate this relationship, $B$ for the indirect effect $= -.01$, $SE_B = .06$, 95% CI $= [-.1531, .0958]$. Also in the sample of family businesses with 10 to 20 employees, communication differentiation did not significantly mediate this relationship, $B$ for the indirect effect $= -.09$, $SE_B = .08$, 95% CI $= [-.0350, .2740]$.

Therefore, this mediation effect was nonsignificant in family microbusinesses, non-family microbusinesses, and family businesses of up to 20 employees. However, it was found to be statistically significant when using the complete sample of all businesses with up to 20 employees and using structural equation modeling. The resulting significant effect with the larger sample could be more trustworthy, considering it is based on a larger sample size and uses a more sophisticated analysis that accounts for measurement error directly in the model. Therefore, I conclude that there is some support for Hypothesis 5c, but larger samples of the subgroups – particularly family microbusinesses – would be important for making final conclusions about this mediation effect.

Second, for the hypothesis that communication differentiation would mediate the relationship between individualized care and employee performance (Hypothesis 5a), a
nonsignificant mediation effect was found for the family microbusiness sample, $B$ for the indirect effect = -.02, $SE_B = .02$, 95% CI = [-.0176, .0805]. By contrast, the same effect was significant in the sample including all businesses with up to 20 employees ($N = 235$), $B$ for the indirect effect = .15, $SE_B = .07$, $p < .05$. In the sample of non-family microbusinesses, communication differentiation did not significantly mediate this relationship, $B$ for the indirect effect = -.03, $SE_B = .05$, 95% CI = [-.1564, .0444]. However, in the sample of family businesses with 10 to 20 employees, communication differentiation significantly mediated this relationship, $B$ for the indirect effect = .04, $SE_B = .03$, 95% CI = [.0020, .1513].

Therefore, this mediation effect was nonsignificant in family microbusinesses and non-family microbusinesses, but it was significant for family businesses of up to 20 employees. Therefore, the mediating effect of communication differentiation between individualized care and employee performance (Hypothesis 5a) seems limited to larger family businesses, while not being relevant in microbusinesses. While using structural equation modeling and larger sample sizes for all groups would be preferable, I conclude that Hypothesis 5a is partially supported, specifically in family businesses of 10 to 20 employees.

Third, for the hypothesis that personalized environment creation would mediate the relationship between individualized care and employee performance (Hypothesis 6a), a nonsignificant mediation effect was found for the family microbusiness sample, $B$ for the indirect effect = .03, $SE_B = .02$, 95% CI = [-.0045, .0780]. By contrast, the same effect was significant in the sample including all businesses with up to 20 employees ($N$
In the sample of non-family microbusinesses, personalized environment creation did not significantly mediate this relationship, $B$ for the indirect effect = .06, SE $B = .03$, $p < .01$. In the sample of family businesses with 10 to 20 employees, personalized environment creation did not significantly mediate this relationship, $B$ for the indirect effect = .09, SE $B = .07$, 95% CI = [-.0142, .2725]. Also in the sample of family businesses with 10 to 20 employees, personalized environment creation did not significantly mediate this relationship, $B$ for the indirect effect = .04, SE $B = .05$, 95% CI = [-.0378, .1755]. Also in the sample of non-family microbusinesses, personalized environment creation did not significantly mediate this relationship, $B$ for the indirect effect = .04, SE $B = .05$, 95% CI = [-.0378, .1755].

Therefore, this mediation effect was nonsignificant in family microbusinesses, non-family microbusinesses, and family businesses of 10 to 20 employees. As with Hypothesis 5c, the significant effect observed with the larger sample could be more trustworthy, considering it is based on a larger sample size and was found using structural equation modeling. I conclude that there is some support for Hypothesis 6a, but larger samples of the subgroups – particularly family microbusinesses – would be important for making final conclusions about this mediation effect.

Last, for the hypothesis that communication differentiation would mediate the relationship between individualized care and employee retention (Hypothesis 5c), a significant mediation effect was found for the family microbusiness sample, $B$ for the indirect effect = -.08, SE $B = .04$, 95% CI = [-.1837, -.0145]. By contrast, the same effect was not significant in the sample including all businesses with up to 20 employees ($N = 235$), $B$ for the indirect effect = .11, SE $B = .09$, $p = .24$. In the sample of non-family microbusinesses, communication differentiation did not significantly mediate this relationship, $B$ for the indirect effect = -.005, SE $B = .05$, 95% CI = [-.1382, .0864]. However, in the sample of family businesses with 10 to 20 employees, communication
differentiation significantly mediated this relationship, $B$ for the indirect effect $= .09$, SE $B = .06$, 95% CI $= [.0131, .2981]$.

Therefore, this mediation effect was significant and negative in family microbusinesses, nonsignificant in non-family businesses, and significant and positive in family businesses of up to 20 employees. Therefore, the mediating effect of communication differentiation between individualized care and employee retention (Hypothesis 5c) seems limited to family businesses, while not being relevant in non-family microbusinesses. Notably, the direction of the relationship between communication differentiation and employee retention changes between family microbusinesses, $B = -.22$, SE $B = .11$, $p < .10$, and larger family businesses, $B = .31$, SE $B = .20$, $p = .13$, which is what causes the opposite direction of the indirect effects. While using structural equation modeling and larger sample sizes for all groups would be preferable, I conclude that Hypothesis 5c is partially supported, specifically as a negative effect in family microbusinesses, and a positive effect in family businesses of 10 to 20 employees.

**Descriptions of Performance Management Practices**

**In Family Microbusinesses**

Finally, managers on average rated their performance management practices as highly event-based, $M = 5.76$ on a 7-point scale, $SD = .87$, and personalized, $M = 5.69$ on a 7-point scale, $SD = .86$, supporting Hypotheses 7a-b. The distributions of these ratings are illustrated in Figures 7.17 and 7.18. Furthermore, managers’ average ratings of their performance management practices as time-based showed a relatively normal
distribution, $M = 3.93$ on a 7-point scale, $SD = 1.62$, providing a point of reference and further evidence in support of Hypothesis 7a, that “event-based” is a relatively accurate descriptor of performance management in family microbusinesses. See Figure 7.19. Additionally, both the event-based (skewness = -.59) and personalization measures (-.97) showed negative skewness while the time-based measure showed near-zero skew (.02).

**In Businesses with Up to 20 Employees**

As in the family microbusiness sample, managers on average rated their performance management practices as relatively highly event-based, $M = 5.69$ on a 7-point scale, $SD = .87$, and personalized, $M = 5.65$ on a 7-point scale, $SD = .89$, again supporting Hypotheses 7a-b. These distributions of ratings are illustrated in Figures 7.20 and 7.21. As before, average ratings of performance management practices as time-based showed a relatively low average and wider distribution, $M = 4.12$ on a 7-point scale, $SD = 1.54$. Lastly, managers’ average ratings of their practices as time-based also showed a relatively normal distribution with little skew (-.19) compared to the event-based (-.61) and personalized performance management (-1.09) measures, providing further support for Hypothesis 7a. See Figure 7.22.
CHAPTER 8

DISCUSSION

Contributions

These studies provide a first examination from the perspective of I-O psychology into performance management in microbusinesses. Generally, participants noted that studying employee management in these businesses was an important issue. As a voluntary comment from a Study 2 participants emphasized:

*I meet with many small business owners to discuss our businesses’ issues, marketing, etc. The one common theme of the most difficult part of running a business is finding responsible employees. I did not expect employees to be the biggest problem in running a business.*

In these two studies, I have developed a detailed theory with content that is meaningful “on the ground” to managers in these businesses that was largely supported by an independent, larger sample of these managers across the United States. Study 1’s theory proposed that individualized care for workers in family microbusinesses is the central phenomenon underlying performance management in this setting. The findings of Study 2 indicated that this individualized care promotes the key business outcomes in family microbusinesses – employee performance, employee retention, and customer service quality – through the strategy of creating a personalized work environment. However, communication differentiation in family microbusinesses was associated with increased employee turnover. Both studies support the conclusion that performance management in microbusinesses can typically be described as event-based and
personalized, but it may be important for business owners to consider the impact of their personalized performance management practices – namely, communication differentiation – on business outcomes such as employee turnover.

While personalized environment creation as a management strategy was associated with decreased unwanted turnover in family microbusinesses, results with other subgroups of businesses were mixed. The practice was associated with reduced turnover in both family and non-family microbusinesses, but increased turnover in the sample of family businesses with 10 to 20 employees. This could reflect the cross-sectional nature of the data in that directionality could be reversed – that is, perhaps increased turnover rates reduce the chance that business owners with more than 10 employees can develop a personalized working environment before the employees leave the company. It may also reflect a real and important difference, that creating a personalized environment could be effective when businesses have less than 10 employees, but not between 10 and 20, or when the businesses have some family employees, as opposed to having none. Perhaps personalized environments seem more natural and inviting to workers in microbusinesses, but less so in larger businesses, even if they are family businesses. Perhaps personalized environments are difficult to build in businesses with more than about 10 employees. In future work, researchers and business owners should carefully consider the reasons behind this mixed set of findings to ensure that creating a personalized work environment is not truly promoting unwanted employee turnover.
Other findings also varied across the business settings of family microbusinesses, non-family microbusinesses, and family businesses with 10 to 20 employees. First, communication differentiation did not show significant associations with any of the three business outcomes in family or non-family microbusinesses. However, this strategy was positively associated with customer service quality and employee retention in family businesses with 10 to 20 employees. Perhaps this strategy is relatively less expected by employees as businesses grow larger – as opposed to being typically expected by employees in the smaller microbusinesses – and therefore has a more considerable impact on the business outcomes when the strategy is used.

Second, the mediation effects were varied across the subgroups as well. Two of the mediation effects were only observed as significant in the complete sample – namely, (1) communication differentiation as a mediator of the relationship between individualized care and customer service quality, and (2) personalized environment creation as a mediator of the relationship between individualized care and employee performance. These two effects were nonsignificant when examining family microbusinesses, non-family microbusinesses, and family businesses with 10 to 20 employees separately. Larger sample sizes – which will enable the reliable use of more sophisticated analyses – will be required to conclude whether these strategies account for a relationship between the core phenomenon driving performance management in family microbusinesses and these three important business outcomes.

Two other mediation effects varied across the subgroups. First, the mediating effect of communication differentiation between individualized care and employee
retention was only found to be significantly in family businesses, but this effect was negative in family microbusinesses and positive in family businesses with 10 to 20 employees. Both of these were impacted by the direction of the relationship observed between communication differentiation and employee retention. As discussed above, perhaps expectations about communication differentiation vary across these business sizes; perhaps employees in larger family businesses receive such differentiation positively, while employees in smaller family businesses resent or otherwise do not positively receive this differentiation. It is interesting to note that this mediation effect was not significant in non-family microbusinesses, suggesting an irrelevance of communication differentiation for whether these employees are likely to stay with their company.

Last, the mediating effect of communication differentiation in the relationship between individualized care and employee performance was only significant for larger family businesses (i.e., with 10 to 20 employees) and not for family or non-family microbusinesses. Here, perhaps communication differentiation again is received positively as employees improve their individual job performance, and perhaps such practices are less well-received in businesses with fewer total employees. Overall, these findings seem to reflect the complexity of managing employees appropriately in very small family and non-family businesses; in some cases, communication differentiation seems to have a positive effect (i.e., on employee performance and employee retention in family businesses with 10 to 20 employees), but a negative effect in others (e.g., on employee retention in family microbusinesses). It will be important in future research to
carefully define the business setting under study, and it will be important for business owners to carefully consider the impact of these practices on their employees and business.

Together, the findings of these studies can be used to drive future research and practice of performance management in family microbusinesses. First, the theory developed in Study 1 provides a rich understanding of key components of the performance management process in these businesses. For example, while individualized care is the central idea underlying performance management in this setting, the theory also identifies a number of communication strategies that can practically be used to enact this treatment in the business, such as one-on-one conversations and encouraging upward communication. Study 2 provides evidence in favor of the strategy of personalized environment creation for the three business outcomes and in opposition of communication differentiation for the sake of employee turnover. Furthermore, both the theory and the quantitative data identify circumstances – both broad and narrow factors, and businesses of varying sizes and family involvement – that will likely impose important theoretical or practical boundaries on the strategies used.

**Theoretical Contributions**

While the constructs identified in this theory of performance management likely share some similarities with existing constructs in the I-O literature, I propose that they are unique constructs, in part since they were identified as they exist and function in a novel business setting. To illustrate, I list in Table 8.1 a number of constructs that share some similarities with the central phenomenon from the theory, caring for employees as
individuals. However, each of these candidate constructs also show some key differences from my central phenomenon. The most notable difference is that the existing constructs generally focus on work-related concern for employees – as is the case for leader-member exchange (LMX) theory (Graen & Uhl-Bien, 1995), the individualized consideration component of transformational leadership (Avolio & Bass, 1991; Avolio, Waldman, & Yammarino, 1991), interactional justice (Bies & Moag, 1986), and person analysis in training assessment (Dierdorff & Surface, 2008) – rather than more holistic concern for employees as individuals beyond only their present job. By contrast, individualized care for employees, as described in the present studies, reaches beyond the work domain, and even within the work domain, extends beyond the employees’ current jobs.

Second, some of the constructs seem to study the overall, unidimensional quality employee-manager relationships, rather than on aspects of differentiation in relationships across different employees. For example, relations-oriented leadership behavior (Likert, 1967) has a similar focus to the central phenomenon on building trusting, warm relationships with employees. However, as a leadership style, this construct seems to have a unidimensional – rather than individually-differentiated – focus. Likewise, ingratiation (Jones, 1964) focuses on creating a likeable persona with different people, but the behaviors that indicate in the ingratiation construct do not necessarily differ from person to person. One construct that does examine this variability across workers specifically, like the central phenomenon in these studies, is perceived LMX variability .(Hooper & Martin, 2008). Though LMX variability does explicitly examine this
variability across individuals, as noted previously, the focus is generally on work-related concerns in the employee-manager relationships.

Third, some existing constructs take the perspective of employees instead of that of managers, or use other referents than the manager. Perceived organizational support (Eisenberger, Huntington, Hutchison, & Sowa, 1986) uses the organization, rather than the manager, as a referent. However, in microbusinesses, perhaps the manager could be a reasonable representative of the organization as a whole. Organizational citizenship behaviors directed at individuals (OCB-I; Williams & Anderson, 1991), interactional justice (Bies & Moag, 1986), and mutual trust as a mechanism for team performance (Salas, Sims, & Burke, 2005) are typically focused on behaviors between or perceptions of employees, rather than focusing on the behaviors or perspective of the manager. Last, the construct of ingratiation (Jones, 1964) does not necessarily focus on the work context or employee-manager relationships, but focuses more generally on interactions between two individuals.

Finally, some of the constructs include components not included in my construct, therefore posing concerns about construct contamination if the constructs are used as proxies for individualized care. The LMX (Graen & Uhl-Bien, 1995) and POS (Eisenberger et al., 1986) constructs explicitly assess employees’ contributions to the relationship with their manager. By comparison, my construct does not assess employees’ contributions and focuses only on managers’ behaviors. Similarly, while mutual trust (Salas et al., 2005) does include the comparable component of looking out for team members’ interests, this construct incorporates expectations about employees’ job role
behaviors. Last, ingratiation (Jones, 1964) includes a different contaminating factor in the purpose for ingratiating behaviors – to seem likeable. This particular purpose, as well as including any purpose at all, is dissimilar from my central construct of individualized care for employees.

To sum, while some constructs in the I-O literature share elements with the core idea that I am advancing, these existing constructs omit important components, include extraneous components, or measure similar constructs from different perspectives or at different levels. Therefore, I propose that my central phenomenon – caring for employees as individuals, which includes the subcategories of accommodating non-work needs of employees as well as care for employees beyond the current job – is a novel construct in the I-O psychology literature. Alternatively, it is possible that this central phenomenon and the related constructs all tap into one higher-order construct in organizational psychology. This higher-order construct would include two core elements: (a) varied relationships between managers and individual employees and (b) care, concern, support, or other similar behaviors. Future research should investigate in depth the theoretical and empirical overlap of these constructs and their measures.

As a result of partial construct similarity, some findings in the literature may also reflect relationships supported with similar constructs in this study. For example, perceived organizational support – which is partially similar to individualized care for employees – has shown a positive relationship to organizational commitment (Eisenberg, Fasolo, & Davis-LaMastro, 1990), a construct that likely overlaps with employee turnover, as measured in this study. Therefore, the negative association between
individualized care and employee turnover identified in Study 2 mirrors, but is distinct from, an existing finding in the I-O literature.

Another research area that this study contributes to is that of role theory (Kahn et al., 1964; Katz & Kahn, 1978). Role theory proposes that we play multiple different roles in our lives, such as that of manager and that of a parent in a family microbusiness. This domain of research has also developed into other areas of research that examine the interface between different roles, such as the research on work-family conflict (Greenhaus & Beutell, 1985). The findings of this study suggest that work-family roles are important in these businesses, but perhaps in different ways than we have previously studied. Specifically, it seems likely that managers fulfilling both “work” and “family” or “friend” roles is a key part of performance management in family microbusinesses. I found that individualized care – likely based on personalized relationships and roles between managers and employees – was the core concept behind managing employees’ performance in microbusinesses. Therefore, my findings seem to suggest that playing both roles – that is, getting to know employees as individuals and caring for them as such – generally benefits the employee performance and the overall business.

Relatedly, this finding may imply that “people skills” – such as balancing multiple roles simultaneously – are especially critical in managing microbusinesses. While a manager in a larger business may have systems and policies to guide his or her interactions with employees, the manager in a microbusiness will be less likely to have policies or procedures – or even a separate work space – to guide employee management and interactions. This implication in turns provides a possible mechanism relating
manager characteristics, such as political skill, to employee performance and overall business success.

However critical people skills and employee performance may be, there was also some evidence throughout these studies that employee management was not necessarily the most critical issue in managing microbusinesses. A number of Study 1 participants mentioned structural or financial concerns – such as completing the paperwork required for legally establishing and operating the business or covering relatively expensive employee healthcare costs – as issues that could be more important than or even preclude the issue of hiring and thus managing employees at all. Considering these perspectives, managing employees seemed like a “first world problem,” as these issues were encountered only by businesses that were successful enough to hire employees at all. A different issue mentioned by participants that could be more critical than employee performance management was personal family issues, like the health of a given family member. Caring for that family member may – at least temporarily – become a much higher priority than managing employees to their fullest potential. Future research should consider this possible hierarchy of needs in family microbusinesses.

**Practical Contributions**

Turning to practical concerns, the findings of these studies provide several concrete guidelines for microbusiness managers. Again, while individualized care and treatment is a key part of the process, the various communication strategies – such as tailoring communications to different employees – provide a concrete way for these managers to introduce this type of treatment into their businesses. Additionally, these
strategies demonstrated a variety of relationships with the three business outcomes measured here, meaning that the strategies identified here have important implications – both positive and negative - “on the ground” for business outcomes.

Focusing specifically on family microbusinesses, I would make the following recommendations to owners regarding managing their employees. While the core theme of managing employees in microbusinesses is to care for employees as individuals, I have identified two specific practices that can be used to enact that idea, one which is generally negative for family microbusinesses’ success, and one which is generally positive for their success. The first practice is communication differentiation, which refers to considering the individual employee – e.g., their personality, work habits, and interests – when communicating with them about their job performance. Perhaps this would entail considering whether a given employee is more likely to respond to performance feedback delivered in a joking manner compared to a serious manner, would appreciate being approached privately instead of publicly, or would respond more to one reward for good performance compared to another. For example, one participant explained this practice as it occurred their business by writing: *I employ quite a few younger people, which requires more creativity when evaluation and critique is in play, so as to not stifle their spirit.*

While this practice seems to be one way to demonstrate care for employees as individuals, my survey results show that communication differentiation negatively impacts employee retention. That is, more differentiation in communication could be associated with more of your employees quitting or being fired. Therefore, I would recommend that business owners carefully consider the effects of this practice on their
employees and business, especially in terms of unwanted employee turnover. However, it is also possible that the effect is reversed, in that it is simply harder to get to know your employees well enough to differentiate communications with them when they do not work for your company for long.

The second strategy that can help with caring for employees as individuals while also managing their performance as employees is creating a personalized work environment. Compared to communication differentiation, this strategy is more generally focused on the whole work environment, but it still entails considering individuals and treating them as such. Creating a personalized work environment involves practices that help employees feel like they are “part of the place,” and might include events like dining out together, acknowledging birthdays or other personal milestones, and simply getting to know your employees personally.

Unlike communication differentiation, this strategy shows evidence of positively impacting all three business outcomes that I studied: employee performance, employee retention, and customer service quality. This strategy also helped explain why individualized care affected customer service quality and employee retention. Therefore, I would recommend that owners of family microbusinesses – that is, with less than 10 employees – use this strategy in their businesses.

Notably, however, the effects of this strategy varied based on business size: this strategy decreased unwanted quitting when businesses had less than 10 employees, but increased unwanted quitting for family businesses with between 10 and 20 employees. There could be multiple reasons why this was the case. For example, it could be more
difficult to develop a personalized environment when turnover is high and you have more than about 10 employees. However, my research found that creating a personalized work environment does enhance employee performance, employee retention, and customer service quality, so when owners have more than 10 employees, I recommend carefully considering the fit of this practice – personalizing the work environment – for your own business before implementing it, if at all.

One interesting direction forward from the present study is to determine if any of these recommendations will work, either as-is or with some modifications, in larger or non-family businesses. For example, some variations on the recommendation of creating a personalized environment may reasonably work well as-is in larger businesses. For example, hosting a birthday party for an employee in the office may already be a common occurrence. However, a different variation on this recommendation – for example, a manager dining out with team members for the purpose of getting to know them personally – may conflict with non-fraternization policies in place in some larger organizations. Similarly, the recommendation of communication differentiation could be difficult to enact in larger businesses in a way that balances tailoring communications with fairly applied standards. Performance management practices in these businesses may be more likely to be governed by standardized procedures that prohibit with this type of manager behavior. Additionally, extreme communication differentiation across employees could perhaps lead to issues falling under the jurisdiction of federal anti-discrimination legislation such as Title VII of the Civil Rights Act. Considering the range
of possibilities, it will be critical to carefully consider how these practices alone can and cannot be applied in larger organizations.

However, “scaling up” is an important consideration particularly in the domain of performance management, which has been the subject of much discussion and change in large businesses in recent years. A recent report notes, for example, that Gap, Accenture, Deloitte, Microsoft, Adobe, and General Electric (GE) have made considerable changes to their performance appraisal and performance management processes, often removing traditional rating practices and moving towards a more continuous procedure (Cunningham & McGregor, 2015, August 17). The findings of the present studies – such as individualized care and treatment of individuals – will likely be helpful in improving performance management practices in these businesses and perhaps providing value to the organization beyond traditional performance management and appraisal practices.

A different way that the findings from this study could “scale up” to larger businesses is through smaller units within larger businesses, such as work teams or some franchise businesses. These smaller units within larger organizations could already perform some of the same behaviors identified in these studies, such as a franchise owner who works alongside his employees on a daily basis. Alternatively, these smaller units may pose one way for naturally introducing some of the components of the present study’s work into larger organizations. For example, it may be easier for a manager of a team of six employees to demonstrate individualized care towards members of her team than it would be for a CEO of an entire organization with thousands of employees. In some ways, teams, franchises, and other smaller units within larger organizations may
have ideal capabilities for implementing the performance management practices identified here.

Overall, the findings of these studies suggest a number of avenues for continuing to expand I-O psychology in order to learn from and be relevant to microbusinesses. There seem to be a fair number of similarities – such as the importance of good employee performance – but many differences – like the process of performance management – that will be important for our field to study further in order to understand and promote the success of microbusinesses.

**Limitations**

One limitation of Study 1 and grounded theory research in general is that the theory is not necessarily developed to be widely generalizable (Creswell, 2007). However, since I am interested in understanding the complete domain of family microbusinesses, my sampling strategy for both studies – i.e., including participants from multiple industries across the United States – was designed to reduce this concern. A second limitation is that Study 2 used a cross-sectional, single measurement occasion design. This limitation is important for two key reasons in the present study. First, while the supporting theory for Study 2’s hypotheses is richly developed in Study 1, causality cannot be established without longitudinal designs. Second, the use of a single measurement occasion and method raises concerns about common method variance (Podsakoff, MacKenzie, & Podsakoff, 2012), which can artificially inflate or deflate the observed relationships. However, attrition can be problematic in longitudinal designs, and perhaps particularly so with field samples. To develop a richer understanding of
performance management in microbusinesses, future research should capitalize on longitudinal and split measurement occasion designs. Longitudinal and qualitative designs would be especially useful for studying individual microbusinesses, since these research designs could be relatively unaffected by the small samples available within individual microbusinesses. A third limitation for Study 2 is sample size; a priori power analyses indicated that a sample of 219 participants would be required to detect medium-sized effects in the complete mediation model. While this sample size was met with responses from business owners with up to 20 employees, it was not met with family microbusinesses alone, so more data is required to make reliable inferences about smaller findings for family microbusinesses.

A fourth limitation is that both studies examined the performance management process only from the managers’ perspective. Past research has highlighted the importance of studying this process from the employees’ perspectives (e.g., Cleveland, Lim, & Murphy, 2007). Therefore, understanding these different perspectives in the microbusiness setting would be one of several promising areas for future research, which I discuss in the following section.

**Future Research**

Microbusinesses are a new domain of study for the field of I-O psychology, so an exploratory study followed by a validation study is an appropriate first examination of this topic. However, this is only the first of many studies that should be conducted to extend I-O psychology, and specifically performance management, research to microbusinesses. First, there are many other parts of the theory developed in Study 1 that
were not tested in Study 2. The causal conditions, contextual factors, and intervening conditions provide three major areas that could be studied in future research. For example, additional research should investigate the degree to which the intervening conditions of managers working alongside employees and typically taking no days off impact the frequency of performance management communications.

Another key objective within this research direction would be the development and validation of measures of the constructs identified in this theory. One construct in particular that may be interesting for future study in microbusinesses is that of turnover. As part of the individualized care construct, a number of Study 1 participants mentioned positive turnover and even promoting positive turnover of their employees into new jobs that were better for employees’ own careers. Turnover was also mentioned by a number of Study 2 participants voluntarily in an open-ended final survey question for any comments. While the concept of positive turnover is not new (Dalton & Todor, 1979), the idea that a boss would desire for his or her employees to quit, at least one day, may be challenging for measuring turnover in microbusinesses. That is, questionnaire items such as, I think my employees will be working at my business five years from now (modified item from Wayne et al., 1997) would be poorly suited to the conceptualization of turnover described by some participants in these studies. For example, a Study 2 participant wrote as a comment:

*The reason we have 50 people who have left is we hire high school kids and usually keep them till they graduate from college. Than they move on to what we*
call real jobs. Our staff are usually very motivated and intelligent and [working in our restaurant] is just a good money maker to get through school.

In a different variation on this theme, another Study 2 participant explained that employees leaving the participant’s business was the specific goal of his work: Regarding questions about employees staying until they retire, I am training my employees to do what I do, in other words become [what I am]. In addition to a need to measure turnover on a shorter time scale, it is also important to be able to measure turnover in ways that are more relevant to the desires of microbusiness owners. For example, a microbusiness owner who cares about an individual employee moving forward in their own career would likely not view that employee quitting for the sake of their career negatively. The more neutral concept of attrition – e.g., quitting for one’s “real” job, retiring – may be more relevant to some employees’ parting with microbusinesses than turnover.

Conceptualizing turnover in a way that accounts for expected and promoted positive turnover may also be highly relevant to some larger businesses, such ones operating in college towns. In this context, business owners may be highly satisfied with workers who stay for four years while enrolled in college, and fully expect these employees to quit once they graduate, if not sooner. Similarly, a Study 2 participant expressed that the traditional measures of turnover did not suit their seasonal business: The survey questions don’t quite encompass our situation-- 3 year-round employees and a LOT of part-time seasonal work, both in [one specific position] and in [another specific position]. Turnover from year to year is expected and normal.
In college and tourist towns, like in microbusinesses, traditional turnover items like the one posed above measure turnover in a way that is not necessarily relevant or meaningful to these businesses, so construct development and validation poses a great area for future research based on this dissertation’s findings. In all of these contexts, it will be important to explore the multivariate and context-driven nature of turnover; for example, future research may focus on identifying a few particular reasons for which employees are expected to quit in each business context (e.g., graduation in a college town; end of tourist season in a seasonal job). These findings will also be relevant to the broader trends in work towards less stable, long-term employment; as an example, Brawley & Pury (2016) measured turnover on Amazon’s Mechanical Turk (MTurk) by asking about Workers’ decisions to quit working for a particular Requester. Due to the momentary nature of the “employment” relationship on MTurk, assessing turnover on the scale of years – as has traditionally been done in other work contexts – would again be inappropriate for this work context.

Alternative ways of measuring turnover – such as the raw count of employee turnover explored here in Study 2 – could be promising, but such approaches also pose their own challenges. Participants expressed difficulty with providing accurate estimates of employee turnover for various reasons, particularly when they had been in business for many years. One participant noted: *The questions were all good questions except for the one about why employees left – too wide a range as I have been in business for 23 years.* Consider also the case of family businesses that are passed down from generation to generation. Rather than simply being difficult, the current owner of a passed-down
business may simply not have information regarding past turnover. Obtaining employment records may be a possibility, but these could also be incomplete or inaccurate. However, undesirable turnover remains an important and costly concern for businesses of all sizes, so accurate measurement of this construct is both theoretically and practically important.

Additionally, several new research questions have been developed in the course of completing the present studies, including a number of areas for future research identified in the literature and presented below.

**Employees’ Perspectives**

As mentioned above, the perspectives of employees of family microbusinesses should be studied. Little research has examined the employee stress and well-being associated with working with family (Halbesleben, Wheeler, & Rossi, 2012a). The available research suggests that family employees may have approximately 4.1% higher average levels of job satisfaction, despite approximately 4.5% lower average wages (Block, Millán, Román, & Zhou, in press). This finding may indicate that affective and other non-monetary benefits are available and meaningful to family member employees.

**Family Business Succession and Psychological Ownership**

Nearly half of family business owners report a desire to pass on the business to a family member (Dennis, 2002), and business inheritance warrants more study for improvement, as business performance commonly declines when it is passed on (Anderson & Reeb, 2003). Inherited or acquired microbusinesses pose a number of interesting questions for research, including the loss or absence of social capital, building
new role boundaries, and learning the skill of new boundary transitions. Certain factors may improve the success of an inherited business, including reputation and knowledge (Cabrera-Suarez, De Saa-Perez, & Garcia-Almeida, 2001). Even prior to succession, the intention to pass on a family firm can affect management and other practices and outcomes in the organization (Breton-Miller, Miller, & Steier, 2004). From the perspective of the successor, inheriting a business might be viewed as an extreme form of continuation commitment.

The construct of collective psychological ownership may be a useful tool for measuring the actual effects of family influence on the business (Rantanen & Jussila, 2011). Psychological ownership has been shown to have positive effects on extra-role behaviors and work engagement at both the organizational and job levels in Chinese family businesses of up to 50 employees (Ramos, Man, Mustafa, & Ng, 2014). Notably and perhaps impacting business succession, family membership was significantly related to organization-based psychological ownership ($r = .45, p < .01$), but not to job-based psychological ownership ($r = .15, p > .05$). Psychological ownership may also be an important mediator between perceptions of justice and the development of affective commitment and job satisfaction among non-family employees in family businesses (cf. Sieger, Bernhard, & Frey, 2011).

**Gender and Family Differences**

Past research indicates that female heirs may be more likely to be excluded from selection in family business succession (Wang, 2010). This exclusion may result from both the daughter’s own awareness of and decision about taking over the business, as
well as awareness and decisions of others in the family business (Overbeke, Bilimoria, & Perelli, 2013). When female family members do take charge of the business, ownership may be particularly taxing for female business owners and female family employees. For example, traditional gender-based divisions of labor may often be established, despite formal ownership of the business (Baines & Wheelock, 1998a). In other cases, female family members may be more likely to share in the running of the business without receiving formal pay or other recognition (Philipps, 2004).

Focusing on the work-family interface may help address questions of consistent differences in performance between female- and male-owned entrepreneurial firms (Jennings & McDougald, 2007). Women who successfully reduce work-family conflict are more likely to develop high-performance businesses (Shelton, 2006). However, the gender imbalance in business ownership stress may be debated: a study by the National Study of the Changing Workforce’s Families and Work Institute found that men experienced more work-family conflict than women (Aumann, Galinsky, & Matos, 2011).

Work-family balance researchers should evaluate directional hypotheses in family business research. Initial evidence indicates that family may have a greater effect on family business than the business has on the family (Olson et al., 2003), but there is indeed a strong tie between family outcomes and business success, as strategies for keeping a business operating may include sacrificing and compromising family needs (Glover & Reay, in press). Work-family conflict might also moderate other relationships in family microbusinesses: opportunities for development have been shown to predict
higher levels of affective well-being among employees, but only when work-family issues are resolved (Rego & Pina e Cunha, 2009).

Empirical studies of modern family compositions – such as increased employment of women, single-person households, cohabitating households, smaller households, weakened family bonds, or single-parent and step-families – would expand our understanding of the family embeddedness perspective on business (Aldrich & Cliff, 2003). Female employees in family businesses may in general be understudied by the family business literature (Sharma, 2004). Studying paired entrepreneurs (i.e., “copreneurs”) – including husband-wife and other family-related pairs (Cachon, 1990) – has demonstrated that both partners feeling included is foundational to the success of the family business (Hedberg & Danes, 2012). Copreneurship and family embeddedness perspectives may share some overlap with the intervening condition, sharing the business with family, identified in Study 1. While the existing concepts note how family and business can be inseparable in family businesses, my concept illustrates that this is also the case in some very small family business settings.

Cross-Cultural Differences

The findings of the present study are limited to a single country and its culture. The present study only examined businesses operated in the United States, and I did not ask participants for their country of birth or any other similar questions. Like very small businesses in general, another area in which relatively little research is available is that of ethnic family businesses (Danes, Lee, Stafford, & Heck, 2008). Past researchers have suggested that management practices in ethnic family firms may be less formally
developed than that of other family firms (Kidwell et al., 2012) and therefore warrant further study.

**Conclusion**

This series of studies provides both a theoretical application of I-O psychology to a new business domain, as well as practical tools for business owners and practitioners. Overall, findings suggest that the same objectives – that is, good employee performance – matter in family microbusinesses, but the process – the way that they achieve that objective – can be radically different from prototypical operations in larger businesses and our current understanding in the field of I-O psychology. These studies should be the first of many in the domain of family microbusinesses, and they provide a foundation for many opportunities for future research in family-owned microbusinesses.
APPENDIX A

Qualitative Interview Protocol and Guide

Instructions: The researcher will provide an informed consent document and verbal description of the study, including an explanation that the audio from the interview will be recorded and explain how the confidentiality of the participant will be protected.

If the participant consents to participate, the recorder will be turned on and the interview will begin.

Questions will be asked in the following order, with changes as judged to be appropriate by the researcher based on the information shared by the participant in the course of the interview.

Section 1. Background Information

Tell me about your business.

- How long has your business been operating?
- How did you come to be the manager?
- Have you worked in the business since it opened? Did you open the business yourself?
- How would you describe working here?

Tell me about your employees.

- How many people work for you?
- What does everyone do? What is each person responsible for?
- Have your employees worked for you for a long time?
• Are any of your employees also your family or friends?
• For any employees who are family or friends: were they your friends/family or your employees first?
• What are the dynamics between your employees like?

Section 2. Current Performance Management Practices

In general, how do you motivate your employees to do their job? Can you give me an example?

In general, how do you make sure your employees are performing their job the way they should?

Section 3. Different Practices for Different Employees

Do you use the same method or process to motivate all of your employees to do their job?

Does your method or process work equally well for motivating all of your employees?

• If not: For which employees is it different, and in what ways is your approach different for that/those employee(s)? Can you give me an example?

• Are there any differences in your approach for family/friend employees compared to other employees?

Section 4. Evaluating Current Recommendations for Performance Management

Researchers in my field have come up with many recommendations for managing employee performance based on studying large companies. However, no one in my field has questioned whether these recommendations make sense for very small businesses. I’m interested in finding about what – if anything – on this list applies to your specific business.
For this part of the interview, I'll review two recommended practices with you, then have you answer two questions about each practice: specifically, (1) do you do anything similar to this in your business?, and (2) what does each part of this look like in your business?

As you review each part of the two practices, I’d like to know whether you do (a) exactly this practice; (b) something like this practice; (c) don’t do this practice, but it would work for your business; (d) this practice would absolutely not work for your business; or (e) any other response to this practice. As you read through each one, please mark your selected answer next to the practice. For each one, I’d like to talk about what that practice looks like in your business.

<table>
<thead>
<tr>
<th>Component</th>
<th>Exactly</th>
<th>Similar</th>
<th>Would work</th>
<th>Would NOT work</th>
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<tbody>
<tr>
<td><strong>1. Prerequisites:</strong> There are two important prerequisites that are required before a performance management system is implemented:</td>
<td></td>
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<tr>
<td>- (1a) knowledge of the organization’s mission – what the organization is all about</td>
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<td>- (1b) knowledge of the organization’s strategic goals – what the organization intends to do in the short term, say, one to three years</td>
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<td>- (2) knowledge of the job in question – determine the key components of a particular job, including activities, tasks, products, services, and processes.</td>
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Is anything missing here?
## 2. Performance planning:
The supervisor and the employee meet to discuss, and agree upon, what needs to be done and how it should be done.

- This discussion should consider results – what needs to be done or the outcomes an employee must produce, including
  - key accountabilities – broad areas of responsibility
  - specific objectives – statements of important and measurable outcomes
  - and performance standards – information about acceptable and unacceptable behavior (e.g., quality, quantity, cost, and time)

- This discussion should consider behaviors – or how a job is done, including
  - competencies – measurable clusters of knowledge, skills, and abilities that are critical in determining how results will be achieved (e.g., customer service, written communication, creative thinking)

- This discussion should consider a developmental plan – identify areas that need improvement and set goals to be achieved in each area.

Is anything missing here?
<table>
<thead>
<tr>
<th>Component</th>
<th>Exactly Work</th>
<th>Similar Work</th>
<th>Would work</th>
<th>Would NOT work</th>
</tr>
</thead>
<tbody>
<tr>
<td>3a. <strong>Performance execution (employee expectations):</strong> During this phase, the employee strives to produce the results and display the behaviors expected of them. During this stage, the employee should:</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
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<tr>
<td>o be committed to his or her job performance goals.</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
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<tr>
<td>o proactively solicit performance feedback and ask for coaching.</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>o communicate openly and regularly with the supervisor.</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>o provide the supervisor with regular updates on progress toward goal achievement.</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>o engage in an ongoing and realistic self-appraisal so corrective action can be taken if necessary.</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
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</tbody>
</table>

Is anything missing here?
<table>
<thead>
<tr>
<th>Component</th>
<th>Exactly</th>
<th>Similar</th>
<th>Would work</th>
<th>Would NOT work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3b. Performance execution (supervisor expectations):</strong> During this stage, the supervisor should:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>o observe and document performance on a daily basis.</td>
<td>☐ ☐ ☐ ☐</td>
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<td></td>
</tr>
<tr>
<td>o update and revise initial employee goals and standards as the organization’s goals change.</td>
<td>☐ ☐ ☐ ☐</td>
<td></td>
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</tr>
<tr>
<td>o regularly provide feedback on employee progression toward goals.</td>
<td>☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o regularly provide coaching to improve employee performance.</td>
<td>☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o provide employees with resources and opportunities to participate in developmental activities (e.g., training, classes, and special assignments)</td>
<td>☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o ensure that the employee has the necessary supplies and funding to perform the job properly.</td>
<td>☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o let employees know that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals.</td>
<td>☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o provide feedback regarding negative performance and how to remedy the observed problem.</td>
<td>☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Is anything missing here?
### 4. Performance assessment: Both the supervisor and the employee evaluate the extent to which desired employee behaviors have been displayed, and whether the desired results have been achieved.

- The supervisor fills out an appraisal form, and
- the employee also fills out this form.

<table>
<thead>
<tr>
<th>Component</th>
<th>Exactly</th>
<th>Similar</th>
<th>Would work</th>
<th>Would NOT work</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Performance assessment:</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐</td>
</tr>
</tbody>
</table>

Is anything missing here?
<table>
<thead>
<tr>
<th>Component</th>
<th>Exactly</th>
<th>Similar</th>
<th>Would work</th>
<th>Would NOT work</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. <strong>Performance review</strong>: Have a meeting between the employee and the manager to review their assessments. Review:</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>• The past: what was done (i.e., results)…</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>• and how it was done (i.e., behaviors)</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>• The future: the employee’s developmental progress…</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>• as well as plans for the future, including goals and development plans that the employee will be expected to achieve over the period before the next review session.</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>• The present: information on what new compensation, if any, the employee may be receiving as a result of their performance.</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐</td>
</tr>
</tbody>
</table>

Is anything missing here?
6. Performance renewal and recontracting: Essentially, this component is identical to the performance planning component, but the difference is that this stage uses the insights and information gained from the complete review cycle (i.e., the employee performing his or her job, assessing their performance, reviewing their performance). For example, some goals that may have been set unrealistically high given an unexpected economic downturn could be adjusted to less ambitious goals for the upcoming review period.

Is anything missing here?

Section 5. Catch-All Question

Is there anything that we haven’t already discussed that I should know in order to understand how you manage your employees’ performance?
APPENDIX B

Measures for Central Phenomenon: Caring for Employees As Individuals

Coworker-Enacted Informal Work Accommodations to Family Scale (Mesmer-Magnus et al., 2010)

Note: ** denotes items removed from analyses based on model fit for the sample of businesses with up to 20 employees.

Response scale: *Never – Always*

1. I have changed regular work hours/days so an employee could meet family or other non-work demands. (Original item: Permanently changed regular work hours/days so a coworker could meet family demands.)

2. I have taken over an employee's work so they could attend to a family or other non-work matters. (Took over a coworker’s shift so they could attend to an ongoing family matter/conflict.)

3. I have worked around an employees' family or other needs outside of their job. (Worked around a coworker’s family needs.)

4. I help employees accommodate family or personal needs in any way possible. (Helped coworkers accommodate family in any way possible/feasible.)

Economic and Social Exchange Scales (Shore et al., 2006)

5. I make significant investments in my employees as individuals. ([My organization] has made a significant investment in me.)
6. I want my employees to be able to rely on my business to take care of them. (I try to look out for the best interest of [the organization] because I can rely on my organization to take care of me.)

Employee Orientation subscale of Organizational Practices Measure (Fischer et al., 2014)

7. I treat each employee as a total person. (Each employee is treated as a total person.)

Individualized Consideration subscale of Multifactor Leadership Questionnaire (Bycio et al., 1995)

8. I treat each employee individually. (Treats each subordinate individually.) **
APPENDIX C

Measure for Strategy 1: Communication Differentiation and Personalized Performance Management Practices

Response Scale: Strongly Disagree – Strongly Agree

Note: ** denotes items removed from analyses based on model fit for the sample of businesses with up to 20 employees.

Feedback Delivery subscale of the Feedback Environment Scale (Steelman et al., 2004)

1. I am supportive when giving my employees feedback about job performance. (Original item: My supervisor is supportive when giving me feedback about my job performance.)

2. When I give my employees performance feedback, I am considerate of their feelings. (When my supervisor gives me performance feedback, he or she is considerate of my feelings.) **

3. I am tactful when giving my employees performance feedback. (My supervisor is tactful when giving me performance feedback.) **

Evaluative Resources subscale of the Coworker Resource Scale (Omilion-Hodges & Baker, 2013)

4. I evaluate my employee in a way that does not cause them social or personal embarrassment. (I evaluate my coworker in a way that does not cause them social or personal embarrassment.) **
Verbal Communication Resources subscale of the Coworker Resource Scale (Omilion-Hodges & Baker, 2013)

5. I communicate with my employee the way they like to communicate (e.g., formal, informal, email, face to face). (I communicate with my coworker the way they like to communicate [e.g., formal, informal, email, face to face].)

Items Written for the Present Study

6. I communicate in different ways with each of my employees.

7. The way I talk about issues with my employees varies from employee to employee.

8. When I discuss job performance with my employees, I talk to each of them using a different style or approach.
APPENDIX D

Measure for Strategy 2: Creating a Family or Personalized Environment

Response Scale: Strongly Disagree – Strongly Agree

Workplace Friendship Scale (Nielsen et al., 2000)

1. I try to get to know my non-family employees personally. (Original item: I have the opportunity to get to know my coworkers.)

2. In my business, I give employees the chance to talk informally and visit with other employees. (In my organization, I have the chance to talk informally and visit with others.)

3. My non-family employees and I have formed strong friendships. (I have formed strong friendships at work.)

4. I socialize with my non-family employees outside of the workplace. (I socialize with coworkers outside of the workplace.)

Friendship Resources subscale of the Coworker Resource Scale (Omilion-Hodges & Baker, 2013)

5. I acknowledge my non-family employee’s personal milestones (e.g., birthday, anniversary). (I acknowledge my coworker’s personal milestones [e.g., birthday, anniversary].)
APPENDIX E

Measure for Consequence 1: Customer Service Quality

Response Scale: Completely Disagree – Completely Agree

Employees’ Performance Scale (Salanova et al., 2005)

1. My employees understand specific needs of customers. (Original item: Employees understand specific needs of customers.)

2. My employees are able to “put themselves in the customers’ place.” (Employees are able to “put themselves in the customers’ place.”)

3. My employees are able to “tune in” to each specific customer. (Employees are able to “tune in” to each specific customer.)

4. My employees “surprise” customers with their excellent service. (Employees “surprise” customers with their excellent service.)

5. My employees do more than usual for customers. (Employees do more than usual for customers.)

6. My employees deliver an excellent service quality that is difficult to find in other organizations. (Employees deliver an excellent service quality that is difficult to find in other organizations.)
APPENDIX F

Measure for Consequence 2: Employee Performance

Response Scale: Varies by item, noted below

Note: ** denotes items removed from analyses based on model fit for the sample of businesses with up to 20 employees.

Leader Appraisal of Member Performance Scale (Liden et al., 1993)

1. Rate the overall level of performance that you observe for your employees. (1 = unacceptable to 7 = outstanding) (Original item: Rate the overall level of performance that you observe for this subordinate.)

2. What is your personal view of your employees in terms of their overall effectiveness? (1 = very ineffective to 7 = very effective) (What is your personal view of your subordinate in terms of his or her overall effectiveness?) **

3. Overall, to what extent do you feel your employees have been effectively fulfilling their roles and responsibilities? (1 = not effectively at all to 7 = very effectively) (Overall, to what extent do you feel your subordinate has been effectively fulfilling his or her roles and responsibilities?) **

Task Performance Measure (Yang et al., 2009)

4. My employees perform their jobs well. (1 = strongly disagree to 7 = strongly agree) (Performs his/her job well.)

5. My employees adequately complete their assigned duties. (1 = strongly disagree to 7 = strongly agree) (Adequately completes assigned duties.)
6. My employees perform the tasks that are expected of them. (1 = strongly disagree to 7 = strongly agree) (Performs tasks that are expected of him/her.)
APPENDIX G

Measure for Consequence 3: Employee Retention

Response Scale: *Strongly Disagree – Strongly Agree*

Note: Items 1-6 were used as a subjective measure of employee retention, * denotes reverse-scored items, and ** denotes items removed from analyses based on model fit for the sample of businesses with up to 20 employees.

Intention to Quit Measure (Wayne et al., 1997)

1. My employees are actively looking for other jobs. (Original item: I am actively looking for a job outside [company name].) */**

2. As soon as they can find a better job, my employees will leave my business. (As soon as I can find a better job, I’ll leave [company name].) *

3. I think my employees will be working at my business five years from now. (I think I will be working at [company name] five years from now.)

Job Withdrawal Cognitions Measure (Carson & Bedeian, 1994)

4. My employees talk often about quitting this job. (I think often about quitting this job.) */**

5. My employees plan to stay in this job for some time. (I plan to stay in this job for some time.)

Items Written for the Present Study

6. Ideally, I’d like to hire employees who will work for my business until they retire.

7. Some jobs in my business are seasonal work rather than year-round jobs.

(response options: yes, no)
8. If yes to Question 7: How many positions in your business are seasonal?
   (numerical response)

9. If yes to Question 7: My ideal seasonal employee would return to work my
   business year after year.
APPENDIX H

Measure for Objective Employee Retention

Response Scale: Open-Ended

Items Written for the Present Study

Since you opened your business, how many employees have…

1. Quit for another line of work?
2. Quit for another job in the same industry?
3. Retired?
4. Quit for personal reasons (for example, to care for a family member)?
5. Been fired?
6. Left for other reasons (please explain)?
APPENDIX I

Measure for Event-Based and Time-Based Performance Management

Response Scale: *Strongly Disagree – Strongly Agree*

Items Written for the Present Study: Event-Based Performance Management

1. I discuss job performance with my employees as issues come up.

2. I correct my employees as soon as I see a problem with how they are doing their job.

3. I make sure to address any performance issues with my employees immediately.

Items Written for the Present Study: Time-Based Performance Management

4. I discuss job performance with my employees in regular meetings, regardless of whether there have been any issues.

5. When I have seen problems with how they are doing their job, I correct my employees in scheduled meetings (for example, weekly meetings or an annual meeting).

6. I make sure to address performance issues during regularly scheduled meetings with my employees.
APPENDIX J

Tables and Figures
### Table 3.1

*Potential Issues in Applying Performance Management Recommendations to Microbusinesses and Family Businesses*

<table>
<thead>
<tr>
<th>Component</th>
<th>Application to Microbusiness</th>
<th>Application to Family Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a. Know the mission and goals of the business</td>
<td>May be easier to define with flat structure (Meyer, 1991)</td>
<td>Non-economic goals may be more important to family members (Gómez-Mejía et al., 2007)</td>
</tr>
<tr>
<td>1b. Know the job in question</td>
<td>Job duties may vary considerably in smaller businesses (Nicolescu &amp; Nicolescu, 2009)</td>
<td>Smaller organizations may not impose strong rules for work behavior (Sackett &amp; Arvey, 1993)</td>
</tr>
<tr>
<td></td>
<td>Job duties may be more generalized in smaller businesses (Dennis, 2002)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expectations for job performance may be broad (Nadin &amp; Cassell, 2007)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Smaller organizations may not impose strong rules for work behavior (Sackett &amp; Arvey, 1993)</td>
<td></td>
</tr>
<tr>
<td>2. Make a performance plan, including results and behavior, as well as a developmental plan</td>
<td>Planning may be difficult when job duties vary considerably over time (Nicolescu &amp; Nicolescu, 2009)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Defining broad job duties may work well with the existing nature of jobs in microbusinesses (Nadin &amp; Cassell, 2007)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Smaller organizations may not impose strong rules for work behavior (Sackett &amp; Arvey, 1993)</td>
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<tr>
<td></td>
<td>Relatively open communication (Wapshott &amp; Mallett, 2013) may facilitate performance planning</td>
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</tbody>
</table>

*Note. Table 3.1 continues on p. 174-175.*
<table>
<thead>
<tr>
<th>Component</th>
<th>Application to Microbusiness</th>
<th>Application to Family Business</th>
</tr>
</thead>
</table>
| 3. Execute job performance, with manager and employee both providing and seeking feedback regularly | - Microbusiness managers may be more likely to communicate frequently (Kotey & Slade, 2005)  
- Upward communication concerning the employment relationship may be more open in small businesses (Wapshott & Mallett, 2013) | - Dysfunctional communication between family members could spill over (Arregle et al., 2007) and prevent effective communication about job performance |
| 4. Assess performance                                                    | - Getting along may be prioritized over accuracy (Longenecker et al., 1987; Nadin & Cassell, 2007)  
- Rater training for a single rater may be impractical                     | - Performance evaluations in family businesses may be relatively biased, subjective, and complex (Chua et al., 2009)  
- The foundational idea of family – evaluation based on membership – conflicts with the foundational idea of performance appraisal – evaluation of behavior (Lansberg, 1983)  
- Rater-ratee similarity and quality of work relationship – possibly related to family status – may inflate performance appraisal ratings (Judge & Ferris, 1993)  
- Encouraging employee participation may reduce the role-based conflict in performance appraisal interviews (Meyer, 1991) |
| 5. Review performance                                                   |                                                                                               | - Performance evaluations in family businesses may be relatively biased, subjective, and complex (Chua et al., 2009) |
### Component Application to Microbusiness Application to Family Business

6. Renew and recontract performance – i.e., repeat step 2 with new knowledge from previous performance cycle

- Planning may be difficult when job duties vary considerably over time (Niculescu & Niculescu, 2009)
- Defining broad job duties may work well with the existing nature of jobs in microbusinesses (Nadin & Cassell, 2007)
- Smaller organizations may not impose strong rules for work behavior (Sackett & Arvey, 1993)
- Relatively open communication (Wapshott & Mallett, 2013) may facilitate performance planning
Table 5.1

Summary of Coded Segments for Grounded Theory

<table>
<thead>
<tr>
<th>Place in Theory</th>
<th>Category</th>
<th># (%) of Coded Segments</th>
<th># (%) of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Causal Condition</td>
<td>Different performance expectations for different employees</td>
<td>20 (4%)</td>
<td>10 (83%)</td>
</tr>
<tr>
<td></td>
<td>· Expecting &quot;more&quot; of family</td>
<td>5 (1%)</td>
<td>4 (33%)</td>
</tr>
<tr>
<td></td>
<td>· Knowing employees before hiring them</td>
<td>10 (2%)</td>
<td>6 (50%)</td>
</tr>
<tr>
<td>Causal Condition</td>
<td>Nonstandardized training for both managers and employees</td>
<td>51 (9%)</td>
<td>11 (92%)</td>
</tr>
<tr>
<td></td>
<td>· Nonstandardized employee training</td>
<td>31 (6%)</td>
<td>9 (75%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Way employee was raised</td>
<td>4 (1%)</td>
</tr>
<tr>
<td></td>
<td>· Nonstandardized manager training</td>
<td>18 (3%)</td>
<td>10 (83%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Manager background in family or small business</td>
<td>6 (1%)</td>
</tr>
<tr>
<td>Central Phenomenon</td>
<td>Caring for employees as individuals</td>
<td>52 (10%)</td>
<td>10 (83%)</td>
</tr>
<tr>
<td></td>
<td>· Accommodating non-work needs of employees</td>
<td>13 (2%)</td>
<td>7 (58%)</td>
</tr>
<tr>
<td></td>
<td>· Care for employees beyond just this job</td>
<td>24 (4%)</td>
<td>5 (42%)</td>
</tr>
<tr>
<td>Strategies</td>
<td>Communication</td>
<td>95 (18%)</td>
<td>12 (100%)</td>
</tr>
<tr>
<td></td>
<td>· Addressing performance issues immediately</td>
<td>17 (3%)</td>
<td>7 (58%)</td>
</tr>
<tr>
<td></td>
<td>· Communicating differently with different employees</td>
<td>23 (4%)</td>
<td>11 (92%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Communicating differently with family</td>
<td>19 (4%)</td>
</tr>
<tr>
<td></td>
<td>· One-on-one conversations</td>
<td>4 (1%)</td>
<td>4 (33%)</td>
</tr>
<tr>
<td></td>
<td>· Regular meetings</td>
<td>11 (2%)</td>
<td>5 (42%)</td>
</tr>
<tr>
<td></td>
<td>· Upward communication</td>
<td>28 (5%)</td>
<td>8 (67%)</td>
</tr>
<tr>
<td>Strategies</td>
<td>Creating a family or personalized environment</td>
<td>11 (2%)</td>
<td>5 (42%)</td>
</tr>
</tbody>
</table>

Note. Table 5.1 continues on pp. 177-178.
<table>
<thead>
<tr>
<th>Place in Theory</th>
<th>Category</th>
<th># (%) of Coded Segments</th>
<th># (%) of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context</td>
<td>Short-term job performance planning</td>
<td>42 (8%)</td>
<td>11 (92%)</td>
</tr>
<tr>
<td></td>
<td>• Broad/flexible job expectations</td>
<td>12 (2%)</td>
<td>7 (58%)</td>
</tr>
<tr>
<td></td>
<td>• Events affect the business</td>
<td>14 (3%)</td>
<td>5 (42%)</td>
</tr>
<tr>
<td>Context</td>
<td>Compensation/Rewards</td>
<td>32 (6%)</td>
<td>11 (92%)</td>
</tr>
<tr>
<td>Intervening Conditions</td>
<td>Intense closeness between business and owner</td>
<td>45 (8%)</td>
<td>11 (92%)</td>
</tr>
<tr>
<td></td>
<td>• Luxury of having employees</td>
<td>7 (1%)</td>
<td>4 (33%)</td>
</tr>
<tr>
<td></td>
<td>• Monitoring employees</td>
<td>28 (5%)</td>
<td>11 (92%)</td>
</tr>
<tr>
<td></td>
<td>o Being on call</td>
<td>4 (1%)</td>
<td>3 (25%)</td>
</tr>
<tr>
<td></td>
<td>o No days off</td>
<td>6 (1%)</td>
<td>6 (50%)</td>
</tr>
<tr>
<td>Intervening Conditions</td>
<td>Sharing the business with all employees</td>
<td>64 (12%)</td>
<td>11 (92%)</td>
</tr>
<tr>
<td></td>
<td>• Impact of one employee on whole business</td>
<td>9 (2%)</td>
<td>3 (25%)</td>
</tr>
<tr>
<td></td>
<td>• Sharing a vision</td>
<td>12 (2%)</td>
<td>5 (42%)</td>
</tr>
<tr>
<td></td>
<td>• Trusting employees</td>
<td>39 (7%)</td>
<td>11 (92%)</td>
</tr>
<tr>
<td></td>
<td>o No real &quot;management&quot; required</td>
<td>15 (3%)</td>
<td>8 (67%)</td>
</tr>
<tr>
<td>Intervening Conditions</td>
<td>Sharing the business with family</td>
<td>37 (7%)</td>
<td>9 (75%)</td>
</tr>
<tr>
<td></td>
<td>• Impact of/on family outside of the business</td>
<td>7 (1%)</td>
<td>3 (25%)</td>
</tr>
<tr>
<td></td>
<td>• Working in the family home</td>
<td>6 (1%)</td>
<td>4 (33%)</td>
</tr>
<tr>
<td></td>
<td>• Separating work and family</td>
<td>16 (3%)</td>
<td>7 (58%)</td>
</tr>
<tr>
<td></td>
<td>• Stakes for family employees</td>
<td>7 (1%)</td>
<td>6 (50%)</td>
</tr>
<tr>
<td>Place in Theory</td>
<td>Category</td>
<td># (%) of Coded Segments</td>
<td># (%) of Interviews</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------------------------------------</td>
<td>-------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Consequences</td>
<td>Customer service outcomes</td>
<td>66 (12%)</td>
<td>12 (100%)</td>
</tr>
<tr>
<td></td>
<td>• Customer retention</td>
<td>5 (1%)</td>
<td>4 (33%)</td>
</tr>
<tr>
<td></td>
<td>• Word of mouth advertising</td>
<td>2 (0%)</td>
<td>2 (17%)</td>
</tr>
<tr>
<td>Consequences</td>
<td>Emotional reactions to work/working together</td>
<td>19 (4%)</td>
<td>9 (75%)</td>
</tr>
<tr>
<td></td>
<td>• Working together leads to conflict</td>
<td>5 (1%)</td>
<td>4 (33%)</td>
</tr>
<tr>
<td>Consequences</td>
<td>Employee performance</td>
<td>1 (0%)</td>
<td>1 (8%)</td>
</tr>
<tr>
<td>Consequences</td>
<td>Employee retention</td>
<td>5 (1%)</td>
<td>3 (25%)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>540</td>
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Table 5.2

**Illustrative Quotes for Grounded Theory**

<table>
<thead>
<tr>
<th>Category</th>
<th>Illustrative Quote(s)</th>
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<tbody>
<tr>
<td>Different performance expectations for different employees</td>
<td><em>But as far as expectations for them go, it's really just, &quot;Will you be here in case somebody needs to buy something?&quot; Where my mom I'm like hoping she makes sales and that she talks to people.</em></td>
</tr>
<tr>
<td>• Expecting &quot;more&quot; of family</td>
<td><em>And so we might, like a teacher who teaches her own child in her classroom might expect more from them. In a way, I think there's times that we expect her [our daughter employee] to walk that line a little bit tighter. ... Because she's setting the example for the others.</em></td>
</tr>
<tr>
<td>• Knowing employees before hiring them</td>
<td><em>We actually all worked together... Back in the 70's.</em></td>
</tr>
<tr>
<td></td>
<td><em>I've known them- Well, I've known my son all of his life, and I've known [Employee 1] for a very long time, so I knew them before I asked them to join the organization, so I knew their DNA. [Employee 2] and I have worked together for- Oh, probably for about seven years before he came on board as a consultant, and [Employee 3], we met through networking, and she's just one of those trusted people that immediately you just want to bring in the organization. ... I really look for their reputation first. I looked for who knew them and who appreciated their work. ...so I did my networking to determine who I wanted to work with in my organization, and they came to me through referrals rather than putting a job on Craigslist or Zip Recruiter or something like that.</em></td>
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*Note. Table 5.2 continues on pp. 180-192.*
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<thead>
<tr>
<th>Category</th>
<th>Illustrative Quote(s)</th>
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</thead>
<tbody>
<tr>
<td>Nonstandardized training for both managers</td>
<td><em>But something like if I come across an article about a better way to greet a customer or something like that, then I would fill her in on that, or the type of thing that we would say.</em></td>
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<tr>
<td>and employees</td>
<td><em>...we've taken a webinar- There was a whole series of webinars that just went on last week from experts in our field, and we attended those. They were virtual. So we've been discussing what we learned and how we can improve our business based on what the experts said.</em></td>
</tr>
<tr>
<td>• Nonstandardized employee training</td>
<td><em>We just go in there and just jump in and start showing them. Some of them pick up real well, some of them don't. But you just say this is what we're going to do, come on let's go. And until they learn where items are, they may follow somebody around to get it.</em></td>
</tr>
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<td></td>
<td><em>Well see that's the thing; most of ones that I've hired, they've been here [as customers]. They hear me saying it behind the counter to all new customers day in and day out.</em></td>
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<td></td>
<td><em>My son started going and sweeping and cleaning on jobs up basically since he was big enough to push a broom. ... He has grown up around it.</em></td>
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<td></td>
<td><em>And the rest, we train them with everything. Because it being a small mom and pop... You can't have just one person trained on [Position 1] and one on [Position 2] and one on [Position 3]. And if somebody's out sick, then the person who can fill may not know how to do [that position] ... So you have to train everybody on everything in the store. They are just all-encompassing crew members.</em></td>
</tr>
<tr>
<td>o Way employee was raised</td>
<td><em>That made me realize that he was being limited or basically coddled, you know. His parents were handling his affairs, and I think he was 23 or 22. ... And in college. I think it was his junior year still. That's what made me realize that that had a whole lot to do with him being basically more lazy than the others.</em></td>
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<tr>
<td>Category</td>
<td>Illustrative Quote(s)</td>
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<tr>
<td>•  Nonstandardized manager training</td>
<td>..I'm just learning how to manage, on top of get things done, on top of, I don’t know, everything else. Yes. I started when I was thirteen years old. My [family member] ... came by one afternoon and I told him I needed to make some money. He took me up to the shop to see his boss. He took me up there and introduced me to him. And I started working for him the next day after school. ... I used to ride my bicycle up there everyday after school. Normally, I would get there and they would work until five or six o’clock. I got out of school at three o’clock. By 3:15, I would get up to the shop and they would carry me over to somebody's job site somewhere. I would work with them until the end of the day. Then those guys would bring me and my bicycle back to my daddy's house. [laughs] I worked in a small consulting engineering consulting firm from the time I graduated [university] in 1991 for about 11 years until 2002. Then I left there and went to work for a larger engineering firm for a year.</td>
</tr>
<tr>
<td>◦  Manager background in family or small business</td>
<td>Well, [husband/co-owner]’s worked [the same type of] business since he was 5 years old, I mean, in some way... Because his parents had a [same type of business] back in [year]. And he was little. And years and years he worked in his family [business].</td>
</tr>
<tr>
<td>Caring for employees as individuals</td>
<td>See, that's the wild part here because managing the people here, it's not managing those numbers. ... You know, it's managing an actual person. Remember they’re people. Don't look at them as a number. ... And I think if you’re doing that, it builds them up. They need that respect. They need to feel like they’re important. And when you’re having people feel like they’re just a cog in the machine, it degrades them and it ends up degrading the business. People sometimes are so strict that if people are a little late, they get on to them too bad or- ... You know? We're all humans. ... We don't want to get up sometimes and sometimes we do. She [employee] can't handle people being snippy or rude. She has a very soft personality. And so she will come back there and say, &quot;I can't do dining room [the evening of a particular event]. Please, can somebody else?&quot; And when it's that situation and I know why she's doing it, I'll ask if somebody else is able to do it.</td>
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<tr>
<td>Category</td>
<td>Illustrative Quote(s)</td>
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<tr>
<td>• Accommodating non-work needs of employees</td>
<td>..his car broke down and he needed a battery. We bought him a battery to go in his car. ... His daughter, he didn't have enough money to get food and stuff so we gave him extra money for food for his daughter and everything. You know, you get to... Corporations don't have that like/hate relationship with employees, they're just an employee, they're a number, they're digits. That's the biggest thing is, of course, treating them with respect. I think, [and] getting to know the employees. ... Like, one of our employees, his wife lost her job, and she's been trying to find another job, so it's nice to come in and say, &quot;Hey, did your wife ever find another job?&quot; ... You know. &quot;Are you going to be okay?&quot; We loaned him some money, and he'll pay it back weekly. When it is family, you do know personal things that go on, like if their kids are going through stuff, so you can kind of give input on stuff like that, kind of give them an easier week, or a couple of hours one day to go check on them or something, if something's going on personal-wise. And you know, [a new employee said], &quot;I'm arguing with my girlfriend. I need to go home for the day.&quot; Well, &quot;Sorry, don't come back.&quot; ... There's some things even a small business can't sacrifice on.</td>
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<td>• Care for employees beyond just this job</td>
<td>You know and I also felt like he [nephew] needed to go on job interviews. He needed to get a job on his own merits and not just work for his uncle. Because I really feel like that's going to be detrimental to him in the long run. I tell them, &quot;I love you guys and I love having you here, but I don't want you stuck here.&quot; Because this-other than for us, because we own it, for them, this is an intermediate job. It's to get them through college until they do their career. You know, a few of them that have recently gone out on their own, I've talked to them. ... So I would teach them about how to grocery shop on a budget. Things that you don't learn in school.</td>
</tr>
<tr>
<td>Communication</td>
<td>Communication is number one. ... Alright, that's where a lot of the big companies fail is the lack of communication. We try to keep an open communication line. I feel like that's both the benefit and the negative sometime of being small, like, the door's always open, hey, everybody can talk, we can do things, we can be open about things. But the problem is, the door is always open [laughs]. It's like all right, we've got to find the time to channel our energies towards improvement and to find the time of just getting the job done. And there's always that challenge of finding the balance of those. And that's probably the biggest challenge as a small business owner.</td>
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<tr>
<td>Category</td>
<td>Illustrative Quote(s)</td>
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<tr>
<td>Addressing performance issues</td>
<td>Somebody kind of stays on them.</td>
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<td>issues immediately</td>
<td>If I ever hear anybody saying something a little off, I will intervene.</td>
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<td></td>
<td>Well, if [Owner 1] sees somebody not doing something correctly out there, he's going to go out there right then, and show them. ... And tell them. As opposed to, &quot;Let's have a meeting in the board room at 5:00 tonight.&quot; You know. [laughs]</td>
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<td></td>
<td>If you see something that you don't like, let them know right away. It's kind of like what my mom said when I was getting married, &quot;Never do something once for your husband that you're never willing to do again.&quot; She said, &quot;If you don't want to take his dirty dishes to the sink after dinner, [if] you expect him to do it, make him do it from day one.&quot; If they [do a task] really bad... don't come behind them and fix it, bring them out and show them why it needs to be fixed and have them do it.</td>
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<td></td>
<td>Like I said, I don't always do it the best way. It just depends on how [laughs] if I see her in the middle of doing something that doesn't look good, that's usually when it's not a great response. But, obviously I see the need for this and I agree wholeheartedly [laughs] that it has to happen, but I don't always do it the best way.</td>
</tr>
<tr>
<td>Communicating differently with</td>
<td>No, I think in a small business, though, you really have to be thinking of the person that you're speaking to, and what the best approach is to them, what the best way to talk to them is... [pause] Well, just for example, we have one guy that's a little dramatic, kind of like a woman, and when he's having a bad day, and you need to talk to him, you have to be a little more gentle with him. ... It's true, unfortunately, but if you're in a big business, they don't care about that either. They bring you to the table and say, “You messed up today, go home,” whatever. ... You know I think the approach to them is a big deal. ... Especially when it's family, small business.</td>
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<td>different employees</td>
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<tr>
<td>Category</td>
<td>Illustrative Quote(s)</td>
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</table>
| Communicating differently with family | *Family might get chewed out more.*  
*Family, I can just beat the crap out of them.*  
*I mean my mom is just better. I mean she's my mom so I have no problem telling her how to do something.*  
*I wouldn't say- I mean, a little bit, a little bit. I guess you communicate differently with family than you do with others. I don't really want to step on toes as much when it's someone that's not family. I mean, family, they have to get over it. I don't mean that a mean way, but I can be a little more blunt, I guess. They know more about you, I guess, family.*  
*Being my father and me being his son, I can say things to him that I wouldn't say to an employee, and vice versa. And so line can be crossed sometimes, and we had to draw ourselves back because we can be really honest with each other sometimes and things aren't always rosy running a small business. So I have to remember that sometimes. And I mean, he's still a human being. It's not like I'm disrespectful, but [pause] things are said in a house amongst family members that don't get said amongst friends or amongst acquaintances.*  
*...sometimes if he's [husband] really busy, he's more apt to snap at me.*  
*I don't know. I just feel like when I look at other businesses and other bosses that I know, it feels like I'm a little bit more lenient. I let things go by a little bit more. And I don't know if that's because it's family and I feel like, well, what can you do? [laughs] It's not like you can fire them and never see them again. *They're always going to be part of your life.* |
| One-on-one conversations       | *I'll probably call him in and sit down with him in my office.*                                                                                                                                                       |
| Regular meetings              | *We try to have a meeting once a month, just to kind of touch base on everyone, see if they experience anything different...*                                                                                     |
• Upward communication

...you can learn more from your employees that are actually doing the job than you can sitting in an ivory tower and looking at numbers.

As far as the employees, they bring me stuff, you know, I saw this, have you heard about this? Most of the time, the stuff they bring out, I've already heard about, but there's the occasional something that came out yesterday that I ain't heard about and I'll sit down and read the article.

We also let them open up to us. If they are sick or they are having a problem at home, because we do try to make it feel more like a little family. If there's something going on that they are not performing well, they might come to us and say, "I'm sorry. I'm not on my point tonight. My grandmother is sick." Or "My parents are getting divorced." Or things they might not normally tell a manager at Wal-Mart. They feel more comfortable coming to us and we can work with it.

Creating a family or personalized environment

...we try to treat them like family. I mean, still keeping in mind that they're an employee, but we try to treat them like family, make them feel like they are part of the place.

We celebrate their birthdays when they let us know. They try to- If they're very shy, they don't want a big deal made about it. But we'll bring out a little cookie cake or cupcake and sing to them when they are here. We'll put a little thing up wishing them a happy birthday. There's a write-on board, like a special board, and we'll put that it's their birthday.

Well, whenever we can, we like to get together socially, and usually, it's over at a restaurant with a meal and a beer and just getting to know one another, joking, talking, just have those types of relationships. Even when we're on the conference calls, we're constantly needling one another [laughs]. It's really that type of relationship.

Short-term job performance planning

I somewhat manage those guys by day, because it was just easier for me... It was just easier to, you know, go leave today, kind of cool down somewhat, get your stress-unwind basically. And then think about, at some point that night, about what we would do the next day.

I give them a break down of what we are going to do that week.
<table>
<thead>
<tr>
<th>Category</th>
<th>Illustrative Quote(s)</th>
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<tbody>
<tr>
<td>• Broad/flexible job expectations</td>
<td>You know, it's [being] polite to customers, coworkers, on time, cleanliness, work ethic. Just everything we expect.</td>
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<td></td>
<td>They are pretty much doing whatever it takes. The work that we do... there are four or five different machines that have to be run in a specific order. Everybody knows the order and everybody just kind of falls into a little rotation, when one is done then the next one is starting and it just kind of goes from there. Everybody knows the order and knows what needs to be done. ... Nobody is specifically tasked with any particular phase of it.</td>
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<td>I like the flexibility with people. I try to be real flexible as long as you produce and give it your best.</td>
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<td>But in the same turn, there is always something that may come up. You have to end up working a weekend or you have to work a long day or something. But it really doesn't seem to bother my guys.</td>
</tr>
<tr>
<td>• Events affect the business</td>
<td>...I've talked to other small business owners and they say over the years, you will frequently get in that situation where the economy may be down or gas prices might be high, and people just aren't eating out or buying books or whatever your business may be.</td>
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<tr>
<td></td>
<td>Yeah. So you really have to evaluate all that stuff, and just like even train the employees. &quot;Okay, remember when you're doing an oil change, when it's winter time, check their wiper blades.&quot;</td>
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<tr>
<td>Category</td>
<td>Illustrative Quote(s)</td>
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| **Compensation/Rewards** | *We have good vacation time off, and good sick time off. So, after a couple years, they've got 3 weeks a year off. ... And if they don't use some of their sick time at the end of the year, we'll pay that to them.*  
*We try to do little things, like give them a little bonus a couple times throughout the year, a Christmas bonus, we do a big Christmas dinner. ... Yeah. We go rent a room at a restaurant or whatever, and do Christmas dinner, and let them have a couple of drinks...*  
*But progress-wise, promotion- They do get raises every year. But no movement or anything at this point.*  
*We got commission guys that's on commission. ... I got some guys on by the hour. That's my cleanup guy because there's no way you can possibly give him a detailed time to clean a car up, so we pay him by the hour. You know, by the week. We pay by the hour, by the week.* |
| Intense closeness between business and owner | *...we had her [his sister's] trailer set up down here at the lake and then that three days that week, Thursday, Friday, Saturday. I think it was Thursday, Friday, and Saturday: you know, we had a cookout down there so as soon as we closed the shop, we all took off down to the lake, everybody knew about it so they brought their swim suits and all and went swimming and we fed them all steak and baked potatoes and everything, cooked out there on the open fire grill.*  
*...when it's my business, it's kind of like my baby, and I'm the only one here all the time.*  
*...a lot of people have concerns of losing a house, going into foreclosure, credit going bad, getting behind on bills you can't pay. Just the overall problem of, one day I might not have any money and I've still got to keep on grinding to get back to ... To function in the business. It's all about the business. It's not about your [emphasis] money anymore. It's about doing the things and making decisions that your business keeps surviving.*  
*...there's a lot more liability than a big company.*  
*And having shift managers, one, requires a little bit higher payroll, because obviously you are going to have to pay them more. And it also increases payroll because you're not there, and you're paying the extra person in place of you. So it sort of doubles the increase on the payroll for that day or those days that they work. So we're not quite to that point yet.* |
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<thead>
<tr>
<th>Category</th>
<th>Illustrative Quote(s)</th>
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<tbody>
<tr>
<td>Monitoring employees</td>
<td>I see everything that goes on...</td>
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<td>...when me and my sister are off, we view the cameras constantly.</td>
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<td></td>
<td>...we all share the same software platform, and that houses all of our assignments, and it houses all of our candidates. And we all have access to that, so when we are discussing what's going on we can see what talent is in the pipeline, we can talk about. So we are totally visible on what everybody is doing.</td>
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<tr>
<td>Being on call</td>
<td>Really I'm just kind of on call for them. ... Yeah. So they have access to me even when I'm not there. Just because, just how we are right now, there's just so much that I think just falls on me.</td>
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<td></td>
<td>...I had gotten off work [from the participant's other job] one day, I was working third shift, and I had went and gone to sleep. She [participant’s wife and business partner] called crying again. I had to make a decision to get up, drive probably 100 miles, maybe a little less, but I had to drive all the way down...</td>
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<tr>
<td>No days off</td>
<td>You can never leave when you're a business owner.</td>
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<td>I'm here every day but Sunday [when the store is closed]. And even Sunday I could end up here for any number of reasons, whatever. I basically have one day off but even then, I mean, you're still thinking about it and what you could be doing, should be doing. Did anyone email you back, that kind of thing?</td>
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<tr>
<td>Sharing the business with all employees</td>
<td>And he treats it like it's his business, and we love that.</td>
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<td></td>
<td>You know that right there is number one. That's number one. That one must have conquered in order to get to the point that they can put someone else's life in jeopardy in that business.</td>
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<td>Impact of one employee on whole business</td>
<td>So if he just stands there and talks on his phone and he doesn't do nothing- If he ain't turning no wrenches, he ain't making no money. ... And then he ain't making the shop money, so then we got a problem.</td>
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<td>The attitude of your employees reflects back on you.</td>
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<tr>
<td><strong>Sharing a vision</strong></td>
<td>I can unequivocally know that he [my dad] has my best interest in mind and vice versa.</td>
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<td>I think what surprises people when they get here is we don't have all these rules. Unless it's expressly forbidden, it is allowed. And so they've been at these places where there's all these rules and they did their task. Here, we try to utilize everyone's skills and talents as much as possible. Getting people a little bit out of that shell is hard. It's not because I want everybody to be a chief, it's not because I want everybody to do everything necessarily, but [sigh] it's hard to get the painter to go, &quot;I could've answered that phone, or I could've helped that customer...&quot; – it's just hard to get people out of their comfort zones a little.</td>
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<td></td>
<td>I guess I had this vision when I started the company that eventually it would be everybody's in this together, it's a family business, the kids would chip in. But, it really hasn't turned out that way. They're not that involved and they're really not that interested now.</td>
</tr>
<tr>
<td><strong>Trusting employees</strong></td>
<td>I hire people that I feel like can be trusted to do their jobs, and that can be professional, and that I would trust with my customers.</td>
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<td>So when we have new people come in, he's been here long enough, he knows everything, he's very good at every position in here: the oven, making pizzas, whatever it may be. So we trust him to train new people.</td>
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<td>I have to learn how to give things to people.</td>
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<td></td>
<td>I still write everything, go look at everything, write everything, do everything myself. Except for getting the good out. [Wife] takes it and I write the report and she'll- I at least let her scan it and do the invoice and copy it and file it and send it out to people [laughs]. And she takes a lot more of the phone calls, which is good.</td>
</tr>
<tr>
<td>Category</td>
<td>Illustrative Quote(s)</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| No real "management" required    | *I'm not necessarily managing her unless she does something that I [laughs] really don't like.*  
Yeah, so we let them know in the beginning when they are training to have a certain energy level. You have to be able to keep up. It doesn't mean that we don't like you, but [emphasis] we won't keep you on because it's not fair to the others if they're doing more than you. And after that training period and they know that you're not going to keep them if they can't maintain it, they're usually great.  
I don't know. They do a good job, I don't know how to explain it. They don't really do anything wrong, so I don't have to go into an extreme checklist.  
We are kind of unique. When we go on a job, everybody knows what has to be done. We show up and we start doing our things. It's kind of funny sometimes, we can get to a job site and start working, we can get there at seven and it might be after noon sometimes before anyone says another word to one another. |
| Sharing the business with family | After getting [the business] set up, I mean, it's just all a family, shared effort, I guess.  
*That's the bad thing about the family thing. It was kind of a- Nobody ever asked me could he come to work here. It was always kind of assumed. “[Nephew] wants to…” - … Of course then his grandmother, my mom, was like, "Oh [Nephew]'s going to come work for you. [Nephew]'s going to come work for you. He says he's going to take over the business," and all that. … It's kind of like nobody really sat down and asked [emphasis] me or interviewed or anything like that. [laughs] It was like, "Okay, he's coming to work for you."* |
| Impact of/on family outside of the business |  
Well, see I refer to my office and it's the left side of my living room. ... Because we have a bigger living room. I've got one of those gigantic Rubbermaid white tables that can fold and unfold. And it'll perfectly hold my laptop and my printer and all my bills and everything. When I bring that out, [my daughter]'s like, "Office time." |
<table>
<thead>
<tr>
<th>Category</th>
<th>Illustrative Quote(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separating work and family</td>
<td><em>When we're [husband and wife] here, it's about business. I'm doing my thing. He's doing his thing. If I need to answer phones, I answer phones. You know, whatever needs to be done. So we ultimately, thank God, have never had a problem working together.</em>&lt;br&gt;&lt;br&gt;...the biggest rule I guess we have is, nights and weekends, we do not discuss work, period. ... Yeah. When we get off in the evenings a lot of times, [Employee]... is also my best friend. We hunt together, fish together, our families hang out together, but that is the number one rule when we leave work for the day. We do not discuss work, period.&lt;br&gt;&lt;br&gt;We probably could set a little more boundaries, like hours, this time. But we love to help people. If we can meet someone [to start doing business with them], we'll drive around the block [from home to the business] and meet them.</td>
</tr>
<tr>
<td>Stakes for family employees</td>
<td>... And it's a good day for them too because they're investors, so they get really excited when we have a good day obviously.&lt;br&gt;And so I think she [daughter/employee] sees [emphasis on “sees”] it pays the bills, she sees [emphasis on “sees” again] it's what covers her school and car. She gets why [emphasis on “why”] we do it. It's not a child that's been detached saying, “Mom and Dad go to work” and they never see it and see what they have to do and where the money goes. She sees [emphasis] me pay the bills. She sees [emphasis] the invoices. I think she appreciates why we’re doing it and where the money goes, and so she treats it accordingly.</td>
</tr>
<tr>
<td>Customer service outcomes</td>
<td>...the interaction with customers is really important whether or not they even make a sale with the person because hopefully we’ll have a relationship with them later on, even if it's not immediate.&lt;br&gt;&lt;br&gt;If the customer is not happy we don't get paid. That is what it is all about.&lt;br&gt;&lt;br&gt;That’s probably one of the things that would get my son fired, is to be rude to one of my customers, I just can’t- I don't tolerate people being rude. Especially to one of my customers.</td>
</tr>
<tr>
<td>Category</td>
<td>Illustrative Quote(s)</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Customer service outcomes             | ...the interaction with customers is really important whether or not they even make a sale with the person because hopefully we'll have a relationship with them later on, even if it's not immediate.  
*If the customer is not happy we don't get paid. That is what it is all about.*  
*That’s probably one of the things that would get my son fired, is to be rude to one of my customers, I just can't- I don’t tolerate people being rude. Especially to one of my customers.* |
| • Word of mouth advertising           | We don't have to advertise or anything anymore, it's just all pretty much word of mouth. We get multiple family members coming back, so that always feels good when you see them come back, because it means you're doing something right.                                                                                                      |
| Emotional reactions to work/working together | Well, sometimes it can get pretty hot [referring to arguments].  
*It's just something about being your nephew and your family that makes it tough. Although, I've lost my cool with him a few times.*  
*I stay stressed out. Yeah. Stressed out when you can't pay bills, you got taxes, and you got this... ...you got that. Yeah, but mad? ... Don't get mad. There ain't nothing to get mad about. I'm just a calm laid-back guy.* |
| • Working together leads to conflict  | You know, when you’re working with family, you're going to have arguments.  
*...especially a small business when you do friends, family... it can be tough sometimes, because you're with each other every day, day in and day out. ... So a bigger business, if you have family or friends, they may not be right there with each other on top of each other every day- ...as a more family type situation, getting on each other's nerves, and then you have different opinions, and only two people, as opposed to a large company, you may have a board of people. You know, to discuss problems, and vote on it, or write out resolutions. You've got two [people] and one, like "No, it needs to be this way." The other one is, "No, it needs to be this way." And so there's conflict in that. But, it's all worked out well here.* |
| Employee performance                  | And I think some of that kind of stuff is where your loyalty will come in too, you know? ... but if I said I'm gonna need one of you to stay here [to work during a fun event elsewhere], they'd look around and go, okay, I'll do it, I'll stay here.                                                                                   |
| Employee retention                    | That's the main thing with the employees, is keeping them happy, and just being more of a family type business. And I'm sure they'd rather work here... than at a big [company]... Where it doesn't matter if you're sick one day over your sick time.                                                                                              |
Table 5.3

Evaluations of Recommendations for Performance Management Practices

<table>
<thead>
<tr>
<th>Component</th>
<th>Exactly</th>
<th>Similar</th>
<th>Would work</th>
<th>Would NOT work</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Prerequisites: There are two important prerequisites that are required before a performance management system is implemented:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1a) knowledge of the organization’s mission – what the organization is all about</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1b) knowledge of the organization’s strategic goals – what the organization intends to do in the short term, say, one to three years</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) knowledge of the job in question – determine the key components of a particular job, including activities, tasks, products, services, and processes.</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. Table 5.3 continues on pp. 194-196.
### 2. Performance planning:

The supervisor and the employee meet to discuss, and agree upon, what needs to be done and how it should be done.

- This discussion should consider results – what needs to be done or the outcomes an employee must produce, including:
  - key accountabilities – broad areas of responsibility
  - specific objectives – statements of important and measurable outcomes
  - and performance standards – information about acceptable and unacceptable behavior (e.g., quality, quantity, cost, and time)

- This discussion should consider behaviors – or how a job is done, including:
  - competencies – measurable clusters of knowledge, skills, and abilities that are critical in determining how results will be achieved (e.g., customer service, written communication, creative thinking)

- This discussion should consider a developmental plan – identify areas that need improvement and set goals to be achieved in each area.
### Component

#### 3. Performance execution:

During this phase, the employee strives to produce the results and display the behaviors expected of them. During this stage:

(3a) The employee should:

- be committed to his or her job performance goals. 
- proactively solicit performance feedback and ask for coaching.
- communicate openly and regularly with the supervisor.
- provide the supervisor with regular updates on progress toward goal achievement.
- engage in an ongoing and realistic self-appraisal so corrective action can be taken if necessary.

(3b) The supervisor should:

- observe and document performance on a daily basis.
- update and revise initial employee goals and standards as the organization’s goals change.
- regularly provide feedback on employee progression toward goals.
- ensure that the employee has the necessary supplies and funding to perform the job properly.
- let employees know that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals.
- provide feedback regarding negative performance and how to remedy the observed problem.
<table>
<thead>
<tr>
<th>Component</th>
<th>Exactly</th>
<th>Similar</th>
<th>Would work</th>
<th>Would NOT work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4. Performance assessment</strong>: Both the supervisor and the employee evaluate the extent to which desired employee behaviors have been displayed, and whether the desired results have been achieved.</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The supervisor fills out an appraisal form, and</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• the employee also fills out this form.</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>5. Performance review</strong>: Have a meeting between the employee and the manager to review their assessments. Review:</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The past: what was done (i.e., results)…</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• and how it was done (i.e., behaviors)</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The future: the employee’s developmental progress…</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o as well as plans for the future, including goals and development plans that the employee will be expected to achieve over the period before the next review session.</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>• The present: information on what new compensation, if any, the employee may be receiving as a result of their performance.</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>6. Performance renewal and recontracting</strong>: Essentially, this component is identical to the performance planning component, but the difference is that this stage uses the insights and information gained from the complete review cycle (i.e., the employee performing his or her job, assessing their performance, reviewing their performance). For example, some goals that may have been set unrealistically high given an unexpected economic downturn could be adjusted to less ambitious goals for the upcoming review period.</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 7.1

Descriptive Statistics for Sample of Family Microbusinesses

<table>
<thead>
<tr>
<th>Measure</th>
<th>$M$ ($SD$)</th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
<th>4.</th>
<th>5.</th>
<th>6.</th>
<th>7.</th>
<th>8.</th>
<th>9.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Caring for Employees As Individuals</td>
<td>5.94 (.82)</td>
<td>.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Communication Differentiation*</td>
<td>5.69 (.86)</td>
<td>.35</td>
<td>.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Creating a Family/Personalized Environment</td>
<td>5.41 (1.04)</td>
<td>.18</td>
<td>.09</td>
<td>.81</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Customer Service Quality</td>
<td>5.86 (.89)</td>
<td>.25</td>
<td>.07</td>
<td>.29</td>
<td>.91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Employee Performance</td>
<td>6.03 (.65)</td>
<td>.17</td>
<td>.14</td>
<td>.21</td>
<td>.60</td>
<td>.88</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Employee Retentiona (Subjective)</td>
<td>5.32 (1.08)</td>
<td>.11</td>
<td>-.10</td>
<td>.24</td>
<td>.30</td>
<td>.31</td>
<td>.72</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Employee Retentionb (Objective)</td>
<td>.04 (.09)</td>
<td>-.11</td>
<td>.03</td>
<td>.04</td>
<td>-.23</td>
<td>-.29</td>
<td>-.32</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Event-Based Performance Management</td>
<td>5.76 (.87)</td>
<td>.34</td>
<td>.05</td>
<td>.01</td>
<td>.08</td>
<td>.09</td>
<td>-.04</td>
<td>-.04</td>
<td>.78</td>
<td></td>
</tr>
<tr>
<td>9. Time-Based Performance Management</td>
<td>3.93 (1.62)</td>
<td>.19</td>
<td>.13</td>
<td>.23</td>
<td>.30</td>
<td>.09</td>
<td>.07</td>
<td>.16</td>
<td>.18</td>
<td>.87</td>
</tr>
</tbody>
</table>

*Note. $N = 128$, and selected items were removed from Scales 1, 2, 5, and 6 (see corresponding Appendices B, C, F, and G).

*Communication differentiation measure was also used as a measure of personalized performance management practices.

aHigher numbers indicate lower employee turnover. bHigher numbers indicate higher employee turnover. All correlations $\geq .18$ are significant at the $p < .05$ level. Internal consistency reliabilities reported on diagonal.
Table 7.2

*Descriptive Statistics for Sample of Businesses with Up to 20 Employees*

| Measure                                           | M (SD)   | 1.   | 2.   | 3.   | 4.   | 5.   | 6.   | 7.   | 8.   | 9.   |
|---------------------------------------------------|----------|------|------|------|------|------|------|------|------|------|------|
| 1. Caring for Employees As Individuals            | 5.94 (.81) | .76  |      |      |      |      |      |      |      |      |      |
| 2. Communication Differentiation*                | 5.82 (.73) | .33  | .75  |      |      |      |      |      |      |      |      |
| 3. Creating a Family/Personalized Environment    | 5.35 (.97) | .28  | .13  | .76  |      |      |      |      |      |      |      |
| 4. Customer Service Quality                       | 5.84 (.84) | .34  | .20  | .32  | .90  |      |      |      |      |      |      |
| 5. Employee Performance                           | 5.85 (.74) | .20  | .19  | .21  | .55  | .89  |      |      |      |      |      |
| 6. Employee Retentiona (Subjective)              | 5.50 (.95) | .13  | .05  | .16  | .25  | .34  | .69  |      |      |      |      |
| 7. Employee Retentionb (Objective)               | .05 (.09)  | .08  | .04  | .08  | -.08 | -.34 | -.30 | n/a  |      |      |      |
| 8. Event-Based Performance Management            | 5.69 (.87) | .23  | .04  | .05  | .17  | .16  | .04  | -.20 | .79  |      |      |
| 9. Time-Based Performance Management             | 4.12 (1.55) | .15  | .17  | .12  | .18  | -.02 | .06  | .10  | .19  | .85  |      |

*Note. N = 235, and selected items were removed from Scales 1, 2, 5, and 6 (see corresponding Appendices B, C, F, and G).*

*Communication differentiation measure was also used as a measure of personalized performance management practices.*

*aHigher numbers indicate lower employee turnover. bHigher numbers indicate higher employee turnover. All correlations ≥ .13 are significant at the p < .05 level. Internal consistency reliabilities reported on diagonal.*
Table 7.3

*Strategies Regressed on Central Phenomenon for Sample of Family Microbusinesses*

<table>
<thead>
<tr>
<th>Model</th>
<th>B (SE)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: Communication Differentiation</td>
<td></td>
<td><strong>.125</strong></td>
</tr>
<tr>
<td>Intercept</td>
<td>3.47 (.53)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care</td>
<td>.37*** (.09)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Personalized Environment Creation</td>
<td></td>
<td>.032*</td>
</tr>
<tr>
<td>Intercept</td>
<td>4.07 (.67)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care</td>
<td>.23* (.11)</td>
<td></td>
</tr>
</tbody>
</table>

*Note. *p < .05, **p < .01, ***p < .001.*
Table 7.4

*Strategies Regressed on Central Phenomenon for Sample of Businesses with Up to 20 Employees*

<table>
<thead>
<tr>
<th>Model</th>
<th>B (SE)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent Variable: Communication Differentiation</td>
</tr>
<tr>
<td></td>
<td>Individualized Care</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent Variable: Personalized Environment Creation</td>
</tr>
<tr>
<td></td>
<td>Individualized Care</td>
</tr>
</tbody>
</table>

*Note.* *p* < .05, **p** < .01, ***p*** < .001. Model fit was acceptable: $\chi^2(89) = 131.59, p < .01, CFI = .96, TLI = .94, RMSEA = .05. Latent variable means (i.e., intercepts) are not reported because they are fixed to zero for estimation purposes in the lavaan R package.
Table 7.5

*Consequences Regressed on Strategies for Sample of Family Microbusinesses*

<table>
<thead>
<tr>
<th>Model</th>
<th>B (SE)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: Customer Service Quality</td>
<td>0.086**</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.26 (.62)</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>0.05 (.09)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>0.24** (.07)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Employee Performance</td>
<td>0.059***</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.83 (.46)</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>0.09 (.06)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>0.12* (.05)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Employee Retention</td>
<td>0.075**</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.80 (.76)</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>-0.16 (.11)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>0.27** (.09)</td>
<td></td>
</tr>
</tbody>
</table>

*Note.* †$p < .10$, *$p < .05$, **$p < .01$, ***$p < .001$. 
Table 7.6

*Relative Weight Analyses of Consequences Regressed on Strategies for Sample of Family Microbusinesses*

<table>
<thead>
<tr>
<th>Model</th>
<th>Total $R^2$</th>
<th>Raw</th>
<th>Rescaled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: Customer Service Quality</td>
<td>.09</td>
<td>.00</td>
<td>4.52%</td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>.08*</td>
<td></td>
<td>95.48%</td>
</tr>
<tr>
<td>Dependent Variable: Employee Performance</td>
<td>.06</td>
<td>.02</td>
<td>28.96%</td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td></td>
<td>.04</td>
<td>71.04%</td>
</tr>
<tr>
<td>Dependent Variable: Employee Retention</td>
<td>.08</td>
<td>.01</td>
<td>17.86%</td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>.06*</td>
<td></td>
<td>82.14%</td>
</tr>
</tbody>
</table>

*Note.* *Confidence intervals around the raw weights did not include 0. Raw = raw portion of total $R^2$ uniquely attributed to the predictor. Rescaled = percentage of total $R^2$ uniquely attributed to the predictor.
### Table 7.7

**Consequences Regressed on Strategies for Sample of Businesses with Up to 20 Employees**

<table>
<thead>
<tr>
<th>Model</th>
<th>$B$ (SE)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: Customer Service Quality</td>
<td>.128</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>.69** (.20)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>.21*** (.06)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Employee Performance</td>
<td>.069</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>.52** (.18)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>.13* (.06)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Employee Retention</td>
<td>.027</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>.48† (.27)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>.17† (.09)</td>
<td></td>
</tr>
</tbody>
</table>

*Note.* †$p < .10$, *$p < .05$, **$p < .01$, ***$p < .001$. Model fit was acceptable: $\chi^2$(214) = 354.25, $p < .001$, CFI = .95, TLI = .93, RMSEA = .05. Latent variable means (i.e., intercepts) are not reported because they are fixed to zero for estimation purposes in the lavaan R package.
Table 7.8

*Relative Weight Analyses of Consequences Regressed on Strategies for Sample of Businesses with Up to 20 Employees*

<table>
<thead>
<tr>
<th>Model</th>
<th>Total $R^2$</th>
<th>Raw</th>
<th>Rescaled</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable: Customer Service Quality</strong></td>
<td>.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>.03*</td>
<td>25.16%</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>.10*</td>
<td>74.84%</td>
<td></td>
</tr>
<tr>
<td><strong>Dependent Variable: Employee Performance</strong></td>
<td>.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>.03*</td>
<td>46.17%</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>.04*</td>
<td>53.83%</td>
<td></td>
</tr>
<tr>
<td><strong>Dependent Variable: Employee Retention</strong></td>
<td>.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation</td>
<td>.00</td>
<td>5.21%</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation</td>
<td>.03</td>
<td>94.79%</td>
<td></td>
</tr>
</tbody>
</table>

*Note. *Confidence intervals around the raw weights did not include 0. Raw = raw portion of total $R^2$ uniquely attributed to the predictor. Rescaled = percentage of total $R^2$ uniquely attributed to the predictor.*
Table 7.9

Mediation of Individualized Care-Customer Service Quality Relationship for Sample of Family Microbusinesses

<table>
<thead>
<tr>
<th>Model</th>
<th>$B$ (SE)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: Communication Differentiation</td>
<td></td>
<td>.13**</td>
</tr>
<tr>
<td>Intercept</td>
<td>3.47 (.53)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($a_1$)</td>
<td>.37*** (.09)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Personalized Environment Creation</td>
<td>.03*</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.06 (.67)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($a_2$)</td>
<td>.23** (.11)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Customer Service Quality</td>
<td>.12***</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>3.45 (.70)</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation ($b_1$)</td>
<td>-.03 (.09)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation ($b_2$)</td>
<td>.22** (.07)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($c'$)</td>
<td>.23* (.10)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Customer Service Quality</td>
<td>.06**</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.23 (.57)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($c$)</td>
<td>.27** (.09)</td>
<td></td>
</tr>
</tbody>
</table>

Indirect effect of Communication Differentiation ($a_1*b_1$) | -.01 (.03) | .03
Indirect effect of Personalized Environment Creation ($a_2*b_2$) | .05†† (.03) | .18

Note. *$p < .05$, **$p < .01$, ***$p < .001$. ††Confidence interval of the bootstrap test of the indirect effect did not contain zero.
Table 7.10

*Mediation of Individualized Care-Employee Performance Relationship for Sample of Family Microbusinesses*

<table>
<thead>
<tr>
<th>Model</th>
<th>$B$ (SE)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: Communication Differentiation</td>
<td>.13**</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>3.47 (.53)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($a_1$)</td>
<td>.37*** (.09)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Personalized Environment Creation</td>
<td>.03*</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.06 (.67)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($a_2$)</td>
<td>.23** (.11)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Employee Performance</td>
<td>.11**</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.55 (.53)</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation ($b_1$)</td>
<td>.06 (.07)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation ($b_2$)</td>
<td>.11* (.06)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($c'$)</td>
<td>.08 (.07)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Employee Performance</td>
<td>.03†</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>5.24 (.42)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($c$)</td>
<td>.13† (.07)</td>
<td></td>
</tr>
<tr>
<td>Indirect effect of Communication Differentiation ($a_1*b_1$)</td>
<td>-.02 (.02)</td>
<td>.18</td>
</tr>
<tr>
<td>Indirect effect of Personalized Environment Creation ($a_2*b_2$)</td>
<td>.03 (.02)</td>
<td>.20</td>
</tr>
</tbody>
</table>

Note. †$p < .10$, *$p < .05$, **$p < .01$, ***$p < .001$. ††Confidence interval of the bootstrap test of the indirect effect did not contain zero.
Table 7.11

*Mediation of Individualized Care-Employee Retention Relationship for Sample of Family Microbusinesses*

<table>
<thead>
<tr>
<th>Model</th>
<th>B (SE)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: Communication Differentiation</td>
<td>.13**</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>3.47 (.53)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($a_1$)</td>
<td>.37*** (.09)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Personalized Environment Creation</td>
<td>.03*</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.06 (.67)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($a_2$)</td>
<td>.23** (.11)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Employee Retention</td>
<td>.09**</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.18 (.87)</td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation ($b_1$)</td>
<td>-.22† (.11)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation ($b_2$)</td>
<td>.24** (.09)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($c'$)</td>
<td>.18 (.12)</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable: Employee Retention</td>
<td>.03†</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>4.42 (.70)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($c$)</td>
<td>.15 (.12)</td>
<td></td>
</tr>
</tbody>
</table>

Indirect effect of Communication Differentiation ($a_1*b_1$) | -0.08†† (.04) | .53
Indirect effect of Personalized Environment Creation ($a_2*b_2$) | .06†† (.03) | .37

Note. †$p < .10$, *$p < .05$, **$p < .01$, ***$p < .001$. ††Confidence interval of the bootstrap test of the indirect effect did not contain zero.
Table 7.12

*Mediation of Individualized Care-Customer Service Quality Relationship for Sample of Businesses with Up to 20 Employees*

<table>
<thead>
<tr>
<th>Dependent Variable: Communication Differentiation</th>
<th>Model</th>
<th>B (SE)</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualized Care (a₁)</td>
<td></td>
<td>.26*** (.05)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent Variable: Personalized Environment Creation</th>
<th>Model</th>
<th>B (SE)</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualized Care (a₂)</td>
<td></td>
<td>.36*** (.09)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent Variable: Customer Service Quality</th>
<th>Model</th>
<th>B (SE)</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Differentiation (b₁)</td>
<td></td>
<td>.61** (.23)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation (b₂)</td>
<td></td>
<td>.22*** (.06)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care (c')</td>
<td></td>
<td>.06 (.08)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent Variable: Customer Service Quality</th>
<th>Model</th>
<th>B (SE)</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualized Care (c)</td>
<td></td>
<td>.30*** (.06)</td>
<td></td>
</tr>
</tbody>
</table>

Indirect effect of Communication Differentiation (a₁*b₁) = .16* (.07) .53
Indirect effect of Personalized Environment Creation (a₂*b₂) = .08** (.03) .27

Note. *p < .05, **p < .01, ***p < .001. Model fit was acceptable: $\chi^2(377) = 613.02, p < .001, CFI = .92, TLI = .91, RMSEA = .05$. Model fit was acceptable: $\chi^2(377) = 613.02, p < .001, CFI = .92, TLI = .91, RMSEA = .05$. Other portions of this model are also reported in Tables 7.13 and 7.14. Since the model included all predictors and dependent variables, only pseudo $R^2$ for the indirect effects are reported. Latent variable means (i.e., intercepts) are not reported because they are fixed to zero for estimation purposes in the lavaan R package.
Table 7.13

*Mediation of Individualized Care-Employee Performance Relationship for Sample of Businesses with Up to 20 Employees*

<table>
<thead>
<tr>
<th>Model</th>
<th>B (SE)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable: Communication Differentiation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($a_1$)</td>
<td>.26*** (.05)</td>
<td></td>
</tr>
<tr>
<td><strong>Dependent Variable: Personalized Environment Creation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($a_2$)</td>
<td>.36*** (.09)</td>
<td></td>
</tr>
<tr>
<td><strong>Dependent Variable: Employee Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Differentiation ($b_1$)</td>
<td>.56** (.24)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation ($b_2$)</td>
<td>.15** (.06)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($c'$)</td>
<td>-.001 (.08)</td>
<td></td>
</tr>
<tr>
<td><strong>Dependent Variable: Employee Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individualized Care ($c$)</td>
<td>.20*** (.05)</td>
<td></td>
</tr>
</tbody>
</table>

Indirect effect of Communication Differentiation ($a_1b_1$) | .15* (.07) | .73
Indirect effect of Personalized Environment Creation ($a_2b_2$) | .06* (.02) | .27

Note. *$p < .05$, **$p < .01$, ***$p < .001$. Model fit was acceptable: $\chi^2(377) = 613.02, p < .001$, CFI = .92, TLI = .91, RMSEA = .05. Other portions of this model are also reported in Tables 7.12 and 7.14. Since the model included all predictors and dependent variables, only pseudo $R^2$ for the indirect effects are reported. Latent variable means (i.e., intercepts) are not reported because they are fixed to zero for estimation purposes in the lavaan R package.
Table 7.14

Mediation of Individualized Care-Employee Retention Relationship for Sample of Businesses with Up to 20 Employees

<table>
<thead>
<tr>
<th>Model</th>
<th>Dependent Variable: Communication Differentiation</th>
<th>B (SE)</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individualized Care (a₁)</td>
<td>.26*** (.05)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent Variable: Personalized Environment Creation</th>
<th>Model</th>
<th>B (SE)</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualized Care (a₂)</td>
<td></td>
<td>.36*** (.09)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent Variable: Employee Retention</th>
<th>Model</th>
<th>B (SE)</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Differentiation (b₁)</td>
<td></td>
<td>.41 (.34)</td>
<td></td>
</tr>
<tr>
<td>Personalized Environment Creation (b₂)</td>
<td></td>
<td>.18* (.09)</td>
<td></td>
</tr>
<tr>
<td>Individualized Care (c')</td>
<td></td>
<td>.05 (.12)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent Variable: Employee Retention</th>
<th>Model</th>
<th>B (SE)</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualized Care (c)</td>
<td></td>
<td>.22* (.09)</td>
<td></td>
</tr>
</tbody>
</table>

Indirect effect of Communication Differentiation (a₁ * b₁) | .11 (.09) | .48 |
Indirect effect of Personalized Environment Creation (a₂ * b₂) | .06† (.04) | .29 |

Note. †p < .10, *p < .05, **p < .01, ***p < .001. Model fit was acceptable: χ²(377) = 613.02, p < .001, CFI = .92, TLI = .91, RMSEA = .05. Other portions of this model are also reported in Tables 7.12 and 7.13. Since the model included all predictors and dependent variables, only pseudo R² for the indirect effects are reported. Latent variable means (i.e., intercepts) are not reported because they are fixed to zero for estimation purposes in the lavaan R package.
### Table 8.1

*Similar Constructs to Central Phenomenon (Individualized Care) from Grounded Theory*

<table>
<thead>
<tr>
<th>Construct and Definition</th>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
</table>
| Leader-Member Exchange (LMX) theory: Proposes that an exchange relationship (e.g., exchanging resources) develops between each individual employee and their supervisor, which may vary in quality across employee-supervisor dyads (Graen & Uhl-Bien, 1995) | *LMX assesses an individual employee’s relationship with their supervisor*  
*LMX variability (Hooper & Martin, 2008) focuses on differences in relationship quality across employees within a group* | *LMX evaluates employees’ contributions*  
*LMX focuses on work-related aspects of relationships with employees* |
| Perceived Organizational Support (POS): An employee’s general perception of the degree to which the organization values their contributions and cares about their well-being (Eisenberger et al., 1986) | *POC evaluates care for an employee*  
*In microbusinesses, perceptions of managers could be meaningfully similar to employee perceptions of the entire organization* | *I studied managers’ – not the employees’ – perspectives*  
*POS evaluates employee’s contributions*  
*POS uses the organization, rather than the manager, as the referent* |
| Individualized Consideration (component of transformational leadership): Leaders coach and mentor others as individuals, by considering their individual needs and wants (Avolio & Bass, 1991; Avolio et al., 1991) | *Employees are treated individually, and their individual needs and wants are considered*  
*Focus is on the manager/leader* | *Focus is on the work domain, and may exclude employees’ needs and wants outside of their work role* |

*Note. Table 8.1 continues on pp. 212-213.*
<table>
<thead>
<tr>
<th>Construct and Definition</th>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
</table>
| Organizational Citizenship Behaviors directed at individuals (OCB-I): discretionary behaviors directed at individuals that are not rewarded formally and indirectly promote effective business functioning (e.g., showing personal interest in other employees (Williams & Anderson, 1991) | - Behavior is directed at individuals, and presumably tailored to each person  
- Behavior is beyond the standard or formal role of the manager | - OCB is studied as an employee behavior directed at other employees – rather than solely as a manager’s behavior directed at his or her subordinates |
| Interactional Justice: the respect and politeness with which employees are treated (Bies & Moag, 1986) | - Focuses on the treatment of employees | - Interactional justice is typically studied as an employee perception, rather than a manager behavior  
- Interactional justice is limited to politeness and work-related interactions, rather than more active care and employee concerns beyond work matters |
| Consideration (Fleishman & Harris, 1962)) or Relations-Oriented Leadership Behavior (Likert, 1967): leader behaviors that indicate warmth, trust, and respect between a leader and group | - Focuses on leader treatment of employees | - Treatment does not necessarily vary across individuals  
- Construct focuses on relationship between leader and group as a whole |
<table>
<thead>
<tr>
<th>Construct and Definition</th>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Trust: A shared belief that team members will perform their jobs and look out for team members (Salas et al., 2005)</td>
<td>• Includes expectation of team members looking out for interests of teammates</td>
<td>• Focus is on team members, rather than managers • Includes expectations about job role behaviors</td>
</tr>
<tr>
<td>Person Analysis: Determining which individuals need training, and what kind of training they need (Dierdorff &amp; Surface, 2008)</td>
<td>• Focuses on the needs of individual employees</td>
<td>• Focus is on work-related needs and assessment is only made for the purposes of training</td>
</tr>
<tr>
<td>Ingratiation: Complimenting or helping a person in order to seem likeable (Jones, 1964)</td>
<td>• Focuses on positive treatment of a person</td>
<td>• Treatment is done for the purpose of seeming like a likeable person • Ingratiation does not necessarily focus on a manager and employee • Ingratiation does not necessarily differ across various dyads</td>
</tr>
</tbody>
</table>
Figure 5.1. Grounded theory summary.
Figure 5.2. Detailed grounded theory.
Figure 6.1. Mediation model tested in Study 2.

**STRATEGIES (MEDIATORS)**
1. Differentiation of communication across employees
2. Creating a family or personalized environment

**CENTRAL PHENOMENON (IV)**
Caring for employees as individuals

**CONSEQUENCES (DV's)**
1. Employee performance
2. Employee retention
3. Customer service quality
Figure 7.1. Distribution of objective reports of employee retention (higher numbers = higher turnover) for sample of family microbusinesses.
Figure 7.2. Poisson regression of raw count of employee retention (higher numbers = higher turnover) on communication differentiation for sample of family microbusinesses.
Figure 7.3. Poisson regression of raw count of employee retention (higher numbers = higher turnover) on personalized environment creation for sample of family microbusinesses.
Figure 7.4. Distribution of objective reports of employee retention (higher numbers = higher turnover) for sample of businesses with up to 20 employees.
Figure 7.5. Poisson regression of raw count of employee retention (higher numbers = higher turnover) on communication differentiation for sample of businesses with up to 20 employees.
Figure 7.6. Poisson regression of raw count of employee retention (higher numbers = higher turnover) on personalized environment creation for sample of businesses with up to 20 employees.
Figure 7.7. Distribution of objective reports of employee retention (higher numbers = higher turnover) for sample of non-family microbusinesses.
Figure 7.8. Distribution of objective reports of employee retention (higher numbers = higher turnover) for sample of family businesses with 10 to 20 employees.
Figure 7.9. Poisson regression of raw count of employee retention (higher numbers = higher turnover) on personalized environment creation for sample of non-family microbusinesses.
Figure 7.10. Poisson regression of raw count of employee retention (higher numbers = higher turnover) on personalized environment creation for sample of family businesses with 10 to 20 employees.
Figure 7.11. Mediation model for customer service quality for sample of family microbusinesses.
Figure 7.12. Mediation model for employee performance for sample of family microbusinesses.
Figure 7.13. Mediation model for employee retention (subjective, where higher numbers = lower turnover) for sample of family microbusinesses.
Figure 7.14. Mediation model for customer service quality for sample of businesses with up to 20 employees. Other portions of this model are reported in Figures 7.11 and 7.12.
Figure 7.15. Mediation model for employee performance for sample of businesses with up to 20 employees. Other portions of this model are reported in Figures 7.10 and 7.12.
Figure 7.16. Mediation model for employee retention (subjective, where higher numbers = lower turnover) for sample of businesses with up to 20 employees. Other portions of this model are reported in Figures 7.10 and 7.11.
Figure 7.17. Distribution of average ratings of event-based performance management for the sample of family microbusinesses.
Figure 7.18. Distribution of average ratings of personalized performance management for the sample of family microbusinesses.
Figure 7.19. Distribution of average ratings of time-based performance management for the sample of family microbusinesses.
Figure 7.20. Distribution of average ratings of event-based performance management for the sample of businesses with up to 20 employees.
Figure 7.21. Distribution of average ratings of personalized performance management for the sample of businesses with up to 20 employees.
Figure 7.22. Distribution of average ratings of time-based performance management for the sample of businesses with up to 20 employees.
FOOTNOTES

1 Flat hierarchical structures may be somewhat synonymous with microbusiness: Meyer (1991) found that the threshold for delegating managerial functions seems to coincide with passing out of the microbusiness category (i.e., 10 employees), though hiring staff itself is an act of delegation (Lansberg, 1983).

2 Business ownership itself has also been described as a double-edged sword, both affording more autonomy and fulfillment to the business owner, but also leading to greater stress and related negative health outcomes (Prottas & Thompson, 2006). Similarly, self-employment has also been linked to increased income, but more negative health outcomes (Cardon & Patel, in press; Deschamps, Langrand, & Lesage, 2014).
REFERENCES


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Pulakos, E. D., Mueller-Hanson, R., Arada, S., & Moyea, N. (2015). Performance management can be fixed: An on-the-job experiential learning approach for complex behavior change. *Industrial and Organizational Psychology: Perspectives on Science and Practice, 8*(1), 51-76. doi: 10.1017/iop.2014.2


