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# Are There Important Differences in Success and in Organizational Culture between Family Companies in Production and Service Sector in Slovenia?

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In this article we will introduce the development of those organizational culture elements, which influence importantly on company successfulness in family companies. The research was performed in 24 Slovenian companies with 524 responded survey questionnaires from field of services, consultancy and computer equipment, trade counter, production, road freight traffic and civil engineering.

With this analysis we found out the answer to the question in family loyalty to the company, management style, loyalty and mutual trust system, strategic emphasis, criteria for successful business operations, stimulation (rewarding), process of continuous improvement, business ethics of the company, organization, values of the employees, and satisfaction of the employees in those companies. The collected data are important from the aspect of the organizational culture influence on the future growth or eventually their stagnation.

**Keywords:** organizational culture (corporate culture), family business, successfulness

## 1 Introduction

The demands of customers in today's competitive marketplace are forever increasing as they require improved quality of products and services (Dale, 2003). According to that people spend most of their day at their workplace, resulting in frequent interactions with co-workers (Beal, 2010).

Therefore, the kind of organizational culture that dominates the company is very important, because it can serve as either an advantage or disadvantage. It can be a strategic resource that promotes learning, risk taking, and innovation. In fact, family business expert John L. Ward has conducted research that suggests family businesses have an advantage precisely because of their cultures, which tend to emphasize important values like mutual respect, integrity, the wise of resources, personal responsibility, and "fun" (enthusiasm, adventure, celebration, etc.) in the family business experience (Longenecker et.al, 2010).

## 2 Organizational Culture and Related Terms

Current studies are dealing with economic and their impact on culture (Kuran, 2009), with human factors and ergonomics (Kleiner, 2008) and with the impact of organizational culture on the quality of employees work (Paletz at al., 2009). Our research is concerning organizational culture in family companies.

The term 'organizational culture' stems from the fields of sociology and anthropology. Many of today's authors like to compare the term to the personality of an individual, mostly because of the changeability of the organizational culture itself, i.e. its dynamic nature and ongoing exploration of hidden meanings. It is this changeability that allows numerous definitions of organizational culture.

Mesner – Andolšek (1995) sees organizational culture as a group phenomenon, which stems from the interaction

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between individuals and is a product of group living. Finding solutions together and searching for answers to numerous questions of organizational operation creates the history of an organization and forms its identity – its culture. To develop a culture means that people have to live together in interaction for some time, share common uncertainty and develop certain ways of managing this uncertainty.

In the professional literature, we frequently come across Edgar Schein's (1985) definition of organizational culture, which says that organizational culture presents a deeper level of basic assumptions that are common to members of an organization, and which operate on an unconscious level; they are basic, taken for granted ways of perceiving themselves and their environment. These assumptions and beliefs are learned responses to the common problems of survival in the external environment, as well as problems of internal integration. The assumptions become obvious because they solve these problems repeatedly and reliably (Schein, 1985).

We can now clearly understand that the definition of organizational culture is very broad, designating everything that cannot be defined more precisely (values, norms, beliefs, different behaviors, etc.). It is the things that are hidden and not discussed, nor even mentioned, that actually reveal what is happening within an organization.

The term 'organizational culture' has received greater attention in the last two decades, which is why it is still considered a relatively new term. During this time, the term 'organizational culture' has been frequently equated to related terms such as organizational climate, the philosophy of an organization, organizational strategy and non-formal organization (Ivanko, 2000) because of their definitions. In this manner, they interfere with the field of organizational behavior, but we will only consider organizational climate, as it is the closest to the term organizational culture and is equated with it most often. Organizational climate describes a number of features connected to employee satisfaction with the social aspects of work. These characteristics separate one organization from another, are relatively permanent and influence the behavior of people within an organization.

The most important difference between organizational culture and organizational climate lies in the fact that organizational culture has its origins in cultural anthropology and ethnology, whereas organizational climate originates in the field of psychology (Kavčič, 2005). It is also important that the goal of organizational culture is explicitly oriented towards understanding the values, norms, beliefs, behavioral patterns, etc., whereas the term organizational climate is more descriptive, non-historical and measures certain phenomena within an organization.

## 2.1 The Influence of Organizational Culture on the Successful Operations of an Organization

Among companies there is a general belief that organizational culture is a key factor in realizing their strategy (Brown, 1998). It is very important that the management assesses the compliance of every objective with the organizational culture;

- this can be done by checking how many changes in behavior and relationships are triggered by specific objective,
- how flexible the culture is and how skilled the management is.

Organizational culture has an important influence on the company's brand and this can have profoundly positive or negative consequences. When organizational culture does not comply with the company' main values and strategy, this turns it into an important obligation for the entire organization. Therefore, in order to preserve the vitality and suitability of the organizational culture, the employees must understand the strategy and mission of an organization very well (Woodbury, 2006).

With all this, we ask ourselves what the company culture must be like in order for the company to be successful. Lipičnik (1999) believes that company culture should have the employees (while creating and realizing their own goals) consciously or unconsciously thinking and acting as creators and realizers of the company goals. Yemm (2007) found that a close connection between company strategy and organizational culture increases the success of the company. Where the organizational culture encourages appropriate behavior and operation that supports the company strategy, people have clear guidelines and key performance indicators regarding what is good service. In contrast, where the organizational culture does not comply with the company strategy, employees become involved in conflicts due to lack of clarity. They ask themselves whether:

- they should be loyal to the organizational culture and its routine
- they should resist operating and behaving in ways that promote a better realization of the strategy or
- should they support the strategy by participating in forms of behavior that act counter to the organizational culture.

To sum up, when the organizational culture does not comply with what we need for the strategy to succeed, we need to change it.

Denison (1990), Kotter, Heskett (1992) and Brown (1998) present the following mechanisms that can help organizational culture have a beneficial effect on economic success. These are:

- The members of an organization jointly determine its objectives; their level of identification with the goals is high; this contributes to easier coordination of the activities necessary for achieving goals, more communication and fewer conflicts.
- A strong culture has mostly shared values and, consequently, great loyalty to the organization. This gives the members of an organization strong motivation for work, which enables them to express themselves and makes them believe it is worthwhile to work for this organization.
- An organization with a strong culture learns more easily, especially from past experiences. If we can prove that a certain number of people have a significantly important number of shared experiences in the problem solving process, then we can assume that these shared experiences

have led them to a shared world view in a particular period of time.

These shared experiences can influence how the members of an organization think, feel and act (Mesner – Andolšek 1995). Shared goals, strong motivation and exciting conditions enable the employees to internalize control. Employees thus voluntarily direct their activities towards achieving the objectives of an organization. In effect, the need for external, bureaucratic and institutionalized control decreases and this simplifies the organizational structure (fewer organizational levels and the increased authority and independence of an individual).

### 2.2 The Power of Organizational Culture

Schein (1985) defines the power of organizational culture as the level of influence that the organizational culture has on the behavior of individuals and groups within an organization. According to that, the majority of authors believe that a strong organizational culture contributes to greater efficiency.

Despite the above facts, criticism has occurred with regard to the connection between a strong culture and the success of organizations. Kotter in Heskett (1992) showed that a correlation between a strong culture and success is positive, yet relatively low. From this it can be seen that there exist companies that have a strong organizational culture, but are still unsuccessful and vice versa – organizations can be successful even though they have a weak organizational culture. When studying unsuccessful organizations with a strong organizational culture, it seems that a strong organizational culture can also have negative effects. In order to better understand why this phenomenon occurs, we need to examine the history of these organizations. Each organization has seen more successful periods, otherwise it would not still be present on the market. An organization creates a strong position, meets some serious competitors along the way and becomes successful.

The other extreme, which interests us, are the economically successful organizations with a weak organizational culture. An answer to this can be found in the mergers of companies, which has contributed to a less-developed organizational culture (Kavčič, 2005).

We can ascertain that, in order for an organization to be successful, it is not enough for it to have a strong culture – this culture needs to be correctly directed and strategically suitable. A culture created in this manner corresponds to both the internal and external environment and takes into consideration the organization's strategic objectives, the technology used by the organization, the geographical placement of the organization, etc. However, the differences between an adaptive and non-adaptive culture can be seen in the flow of information, control, creativity, etc.

Therefore, we can see that a »successful« organizational culture places a lot of emphasis on people. This demonstrates a high level of loyalty to an organization among its members, taking over responsibilities, etc. The latter brings many good things, which express themselves in fewer conflicts, decentralization, a higher level of self-initiative and innovation, as well as participatory leadership. Nevertheless, the management supports this mostly in theory. We rarely find this in practice; therefore, numerous authors claim that the management plays a very important role in creating an organizational culture (Kavčič, 2005). In addition to the beneficial effects of the organizational culture within a company, organizational culture plays a decisive role in the ability of employees to meet customer needs (Davidson, 2003) and, consequently, contribute to the success of their company to the greatest extent. Empirical research performed in this field has shown a connection between financial benefits and a customer-oriented approach; researchers of the Michigan University have found that, in average, a 1% increase in customer satisfaction leads to a 2.37% increase in the potential yields of company investments (Keiningham et al, 1999).

## 3 A Family Company

When reading literature on family entrepreneurship, we quickly arrive at the conclusion that a single definition of a family company does not exist. As a result, there have been many attempts to clearly and efficiently define family companies and distinguish them from other, non-family companies (Sharma, 2004).

Miller et al. (2007) defines a family company as a company where the majority of employees come from a single family, including the majority owner or leader; job roles can be taken up simultaneously or gradually. Astrachan and Shanker (2003) defined family companies in three ways based on the level of involvement of the family in a family company. The broad definition defines family companies where the family has the dominant influence on the strategic direction of the company, which means that family plays an active role in the company. A more flexible, middle of the road definition defines a family company as one where the founder or the successor manages the company and the family is involved in the daily operations of the company. Moreover, the founder intends to submit the company to the successor, who is a member of the family, so that the company remains within the family. The third definition is rather narrow and defines family companies as those in which several generations of the family have an important influence on the company and where more than one member of the company has managerial responsibility. Based on these definitions, it has been estimated that from 3 to 24.2 million family companies in the United States provide employment to 27 – 62% of all employees, creating 29 – 64% of the GDP. Determining the scale of activities of family companies in a nation's economy thus depends on how we define a family company (Sharma, 2004).

In order to assess the scale of family participation and influence on the success of any company, Astrachan, Klein and Smyrnicos (2002) developed the F-PEC scale, which comprises three sub-scales: power, experience and culture. The power scale takes family influence into consideration with regard to its share in partnership, management and leadership. The scale has been created to enable the integration of the political, legal and economic specifics in individual countries. The second scale, the scale of experience, refers to succession and the number of family members who are dedicated to the company. The cultural scale measures the extent that family values and company values overlap, as well as the level of family dedication to the company. The authors emphasized that the F-PEC scale, in its essence, is not aiming to accurately define family companies or differentiate family companies from other types of companies. It aims to measure the scope of family influence in any company.

It is interesting that most questions in the field of family companies refer to succession (Ward, 2004), yet insufficient attention is given to planning succession and identifying factors that influence its success.

However, Moores (2009) claims that the best family companies are distinguished in the four C's: continuity, community, connection and control.

- **Continuity** refers to an unusually long perspective of mission and long-term goals, investments and working at executive positions. Strong family companies build on their strong traditions, stemming from the past, and carefully prepare for the future and future generations.
- **Community** defines an unusual care for employees and their working environment, and a rich organizational culture that fully connects their talents and increases dedication. Family companies are very selective in who they employ and who they promote; they continually educate and socialize with their employees, so they cooperate better with each other and are more motivated to work in the company's best interests.
- **Connection** refers to especially generous, open and long-term cooperation with customers, suppliers and the community. Building relationships presents the essence, not so much individual business operations.
- **Control** gives the leaders of family companies the freedom to make quick and entrepreneurial decisions. In the best family companies, the four C's are used selectively, tailored to each company and joined into a unique framework that supports the different strategies of the company, e.g. quality, costs, brand and innovative management.

The family companies with the longest tradition can create different mechanisms which closely connect their members and increase family cohesion (Pieper, 2007). Organizational culture plays a very important role in this; it has two elements in family companies: the dedication of the family to the company and vice versa, as well as the overlapping of family and company values (Astrachan et al., 2002).

# 4 Survey

Taking into consideration how we classified companies, the survey was directed by the basic or, as the case may be, main hypothesis, which states **that there exist important differences in organizational culture between family companies from the production sector and family companies in the service sector, which contribute to the greater success of the latter.**

In our case the success is defined as the highest grade of individual statement in particular set.

For the survey carried out in Slovenia, we focused on 24 small family companies that employ 10 to 50 employees; they can be classified into two groups based on their field of business:

- <u>Service companies:</u>
  - electrical installations
  - retail trade (2 companies)
  - wholesale trade (3 companies)
  - other project engineering and technical counseling (2 companies)
  - freight transport by road (2 companies)
  - computer software maintenance and counseling (2 companies)
- <u>Production companies:</u>
  - the mechanical processing of metals, including foundries
  - other surface and thermal processing of metals
  - manufacture of metal products (2 companies)
  - manufacture of furniture (2 companies)
  - general construction work (2 companies)
  - production of mineral water and soft drinks
  - the production of meat products
  - production of shades and blinds
  - printing

The survey process involved a two-part survey questionnaire. The first part covered basic information on the respondent – age, gender, relation to the company owner, the number of years working for the company, education and the title of the person's organizational role or, as the case may be, job position in the company. The second part represented the core of our survey and contained the following sets of factors relating to organizational culture:

- Family loyalty to the company
- Management style
- Loyalty and mutual trust system
- Strategic emphasis
- Criteria for successful business operations
- Stimulation (reward)
- The process of continuous improvement
- Company business ethics
- Good organization
- The values of the employees
- Employee satisfaction

The first nine sets contain claims to which the respondent circled their level of (dis)agreement to best describe the situation. The person could choose from four levels (1, 2, 4, 5), wherein 1 meant »I do not agree at all« and 5 meant »I agree very much. « We intentionally omitted grade 3 to obtain more precise replies from the respondents. The last two sets of questions were structured to make the respondent rank company values and satisfaction factors according to personal importance. When ranking company values, 1 meant the most important and 9 meant the least important. Ranking the satisfaction factors was similar, except that they were ranked from 1 to 10. In both sets of questions, the respondents had to use all the ranks; company values were ranked 1 to 9, whereas satisfaction factors were ranked 1 to 10.

The survey questionnaire was sent to 335 employees of 12 family companies in the service sector group; 260 completed questionnaires were returned. In addition, we sent the survey questionnaire to 336 employees of 12 family companies in the production sector group, and received 264 filled out questionnaires.

The survey questionnaire was filled out by all levels of employees (directors, members of the management board and other employees) in each of the selected group of companies. From a total number of 671 survey questionnaires sent to all family companies – i.e. in the service sector and in the production sector – we received 524 filled out survey questionnaires in total, which represents a near 80% survey response rate.

The table below shows us the group statistics for gender and age of the respondents.

Since our survey explored family companies, we were most interested in the degree of relatedness between the company owners and its employees. We found that the percentage of related family members was small in comparison with the number of non-related employees. The latter comprised a little more than 88% in production sector and slightly more than 84% in service sector, which we can clearly see in the next Table 2.

The biggest percentage though applies to the category »Other«, which mostly included company owners, but also cousins, uncles and aunts.

When it comes to the structure of the respondents in the survey in terms of the number of years spent working for the company, we found that the percentages of family companies in the service sector and production sector did not differ that much, after all. In family companies in the service sector, we found that the percentage of those working up to 5 years in the family company in comparison with those working for 5 to 10 years in the family company was approximately the same. With family companies in the production sector, slightly less than 45% of employees have been working for the family company for up to 5 years, and a good 37% of employees have been working for the family company for 5 to 10 years. With employees who have been working for more than 10 years for the family company, the ratio between family companies in the service sector and family companies in the production sector was very similar. The difference of 0.5% goes in favor of family companies in the production sector.

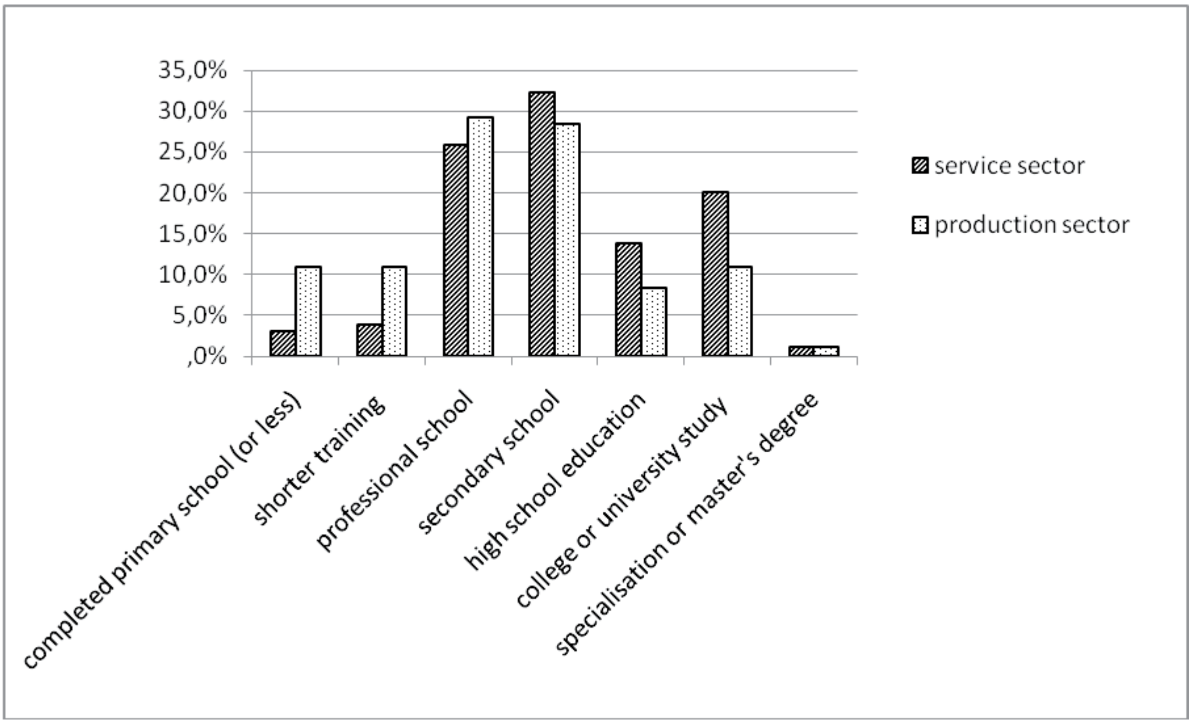
Picture 2 shows the educational structure of the employees in both groups of family companies. We can observe that the number of employees in family companies in the service sector who have completed primary school (or less), shorter training and professional school was higher than the number of employees in the production sector. The situation is then reversed, as the number of employees with completed second-

*Table 1: Gender and age of the respondents*

| | | sector | | | | | |
|---|---|---|---|---|---|---|---|
| | | **service** | | **production** | | Total | |
| | | Column N % | Count | Column N % | Count | Column N % | Count |
| Gender | man | 64,2% | 167 | 70,8% | 187 | 67,6% | 354 |
| | woman | 35,8% | 93 | 29,2% | 77 | 32,4% | 170 |
| | Total | 100,0% | 260 | 100,0% | 264 | 100,0% | 524 |
| Age | 18-28 yrs | 25,4% | 66 | 26,5% | 70 | 26,0% | 136 |
| | 28-38 yrs | 44,2% | 115 | 31,1% | 82 | 37,6% | 197 |
| | 38-48 yrs | 25,0% | 65 | 31,1% | 82 | 28,1% | 147 |
| | 48 yrs + | 5,0% | 13 | 11,4% | 30 | 8,2% | 43 |
| | No response | ,4% | 1 | ,0% | 0 | ,2% | 1 |
| | Total | 100,0% | 260 | 100,0% | 264 | 100,0% | 524 |

*Table 2: The structure of the survey respondents with regard to family relatedness to the company owner in family companies in the service sector and family companies in the production sector*

| | | sector | | | | | |
|---|---|---|---|---|---|---|---|
| | | **service** | | **production** | | Total | |
| | | Column N % | Count | Column N % | Count | Column N % | Count |
| family relatedness | parents | ,8% | 2 | ,8% | 2 | ,8% | 4 |
| | husband/wife | 2,7% | 7 | 3,8% | 10 | 3,2% | 17 |
| | son/daughter | 3,8% | 10 | 2,3% | 6 | 3,1% | 16 |
| | brother/sister | 1,5% | 4 | ,4% | 1 | 1,0% | 5 |
| | relationship by marriage | ,4% | 1 | ,0% | 0 | ,2% | 1 |
| | other | 6,5% | 17 | 4,5% | 12 | 5,5% | 29 |
| | non-related | 84,2% | 219 | 88,3% | 233 | 86,3% | 452 |
| | Total | 100,0% | 260 | 100,0% | 264 | 100,0% | 524 |




*Picture 1: The educational structure of the survey in family companies in the service sector and in the production sector*

ary school/high school education, college or university study in family companies in the service sector exceeded the number of employees in family companies in the production sector with the same level of education. In both groups of companies, we noted an approximately similar percentage of employees with a master's degree or specialization (a good 1%).

The biggest percentage (according to the title of organizational role or, as the case may be, job position), with the family companies in the production sector far exceeding the percentage in family companies in the service sector, was represented by workers. This was followed by independent professional workers, where family companies in the service sector exceeded the number of employees with the same organizational role in family companies in the production sector by almost 8%. It is also worth mentioning the difference in the organizational role of an engineer – developer, where a good 13% were employed in family companies in the service sector and a mere 3% in family companies in the production sector.

# 5 Key differences

This chapter will explore the analysis of the second part of the survey questionnaire, which made up the core of our survey and refers to set hypothesis. Due to the extensive nature of the factors in individual segments, we will only explore those segments where statistically important differences occurred. These were determined with the help of a T-test, which enabled us to confirm or reject the hypothesis.

## 5.1 Management style

In this part of our survey, we found that family companies in the service sector perform better than family companies in the production sector because, for the most part, their managers advise employees and offer professional assistance ($t(500) = 2.486$, $p \leq 0.05$); within this framework, problems with employees are solved through communication and finding a mutually acceptable solution ($t(521) = 5.244$, $p \leq 0.05$). This cooperation leads to a management style that is primarily focused on meeting objectives ($t(521) = 2.017$, $p \leq 0.05$). In contrast, a statistically significant deviation was noted in favor of family companies in the production sector because, with their style of management, the responsibilities are clearly defined for each employee ($t(513) = -2.230$, $p \leq 0.05$).

## 5.2 Loyalty and mutual trust system

Statistically significant differences in this segment go in favor of family companies in the service sector; they show that family members and other employees communicate well with each other ($t(518) = 5.460$, $p \leq 0.05$) which, in return, eliminates the inter-generational misunderstandings within a family company ($t(521) = 3.351$, $p \leq 0.05$).

These findings further emphasize our realization that good interpersonal relations and the satisfaction of employees are very important factors that lead a company on its path to success. It is worth mentioning that the loyalty that can be observed among the company employees transfers to the

*Table 3: Survey structure by title of organizational role or, as the case may be, job position in family companies in the service sector and family companies in the production sector*

| | | sector | | | | | |
|---|---|---|---|---|---|---|---|
| | | **service** | | **production** | | Total | |
| | | Column N % | Count | Column N % | Count | Column N % | Count |
| organizational role | no response | ,8% | 2 | ,4% | 1 | ,6% | 3 |
| | director | 5,4% | 14 | 4,9% | 13 | 5,2% | 27 |
| | assistant director | 3,5% | 9 | 2,7% | 7 | 3,1% | 16 |
| | independent professional worker | 23,5% | 61 | 15,5% | 41 | 19,5% | 102 |
| | referee | 15,4% | 40 | 12,9% | 34 | 14,1% | 74 |
| | manager | 6,2% | 16 | 5,7% | 15 | 5,9% | 31 |
| | engineer-developer | 13,1% | 34 | 2,7% | 7 | 7,8% | 41 |
| | worker | 32,3% | 84 | 55,3% | 146 | 43,9% | 230 |
| | Total | 100,0% | 260 | 100,0% | 264 | 100,0% | 524 |

*Table 4: Group statistics for those elements of the Management style segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| Leaders offer advices and professional assistance to employees. | Service | 230 | 4,30 | ,826 | ,054 |
| | Production | 272 | 4,11 | ,873 | ,053 |
| The management by objectives. | Service | 249 | 4,53 | ,524 | ,033 |
| | Production | 274 | 4,43 | ,559 | ,034 |
| The responsibility of everybody is clearly defined. | Service | 242 | 4,31 | ,814 | ,052 |
| | Production | 273 | 4,45 | ,652 | ,039 |
| The leader knows how to solve problems in cooperation with the employees and by obtaining their consent. | Service | 249 | 4,49 | ,783 | ,050 |
| | Production | 274 | 4,09 | ,925 | ,056 |

company's customers as well. Company loyalty creates a lot of energy and synergy among the employees, preventing the apathy and disloyalty that are present in many of today's organizations (Ellis, 2001).

## 5.3 Strategic emphasis

In comparison with employees from family companies in the production sector, employees from family companies in the service sector strive to fulfill the company's strategic objectives ($t(521) = 3.885$, $p \leq 0.05$). This shows that company strategy is harmonious with organizational culture; consequently, the possibility for success is much greater.

## 5.4 Criteria for successful business operations

In this segment, we found that family companies in the service sector are continually striving to improve their operations ($t(522) = 4.355$, $p \leq 0.05$); consequently, this leads to better services and higher quality products. By cooperating with scientific institutions ($t(513) = 7.518$, $p \leq 0.05$), companies can further accelerate and enhance their processes of improvement.

## 5.5 Stimulation - reward

Employees in family companies in the service sector are more encouraged to be self-initiative and independent ($t(522) = 2.848$, $p \leq 0.05$) than employees in family companies in the production sector. Self-initiative leads to innovation, which is relatively better rewarded than regular work ($t(513) = 4.488$, $p \leq 0.05$). Therefore, rewarding depends on both the success of an individual ($t(518) = 3.052$, $p \leq 0.05$) and the business success of a company ($t(521) = 2.729$, $p \leq 0.05$).

## 5.6 The process of continuous improvement

As we determined in the previous segment "Stimulation - Reward«, family companies in the service sector place a lot of importance on creativity and innovation. Also in this segment, the importance of creativity can be perceived in family companies in the service sector. We concluded that employees in

*Table 5: Group statistics for those elements of the Loyalty and mutual trust system segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| Family members and other employees communicate well with each other. | Service | 246 | 4,50 | ,669 | ,043 |
| | Production | 274 | 4,12 | ,887 | ,054 |
| There occur no intergenerational disagreements. | Service | 250 | 4,23 | ,937 | ,059 |
| | Production | 273 | 3,95 | ,991 | ,060 |

*Table 6: Group statistics for those elements of the Strategic emphasis segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| The employees endeavor to fulfill the company's strategic goals. | Service | 250 | 4,43 | ,605 | ,038 |
| | Production | 273 | 4,20 | ,717 | ,043 |

*Table 7: Group statistics for those elements of the Criteria for successful business operations segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| The ongoing process of improvement (products, services). | Service | 250 | 4,38 | ,889 | ,056 |
| | Production | 274 | 4,03 | ,931 | ,056 |
| Co-operating with scientific institutions. | Service | 241 | 3,43 | 1,296 | ,083 |
| | Production | 274 | 2,54 | 1,372 | ,083 |

*Table 8: Group statistics for those elements of the Stimulation-reward segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| The innovation is relative better rewarded than ordinary work. | Service | 241 | 3,44 | 1,331 | ,086 |
| | Production | 274 | 2,92 | 1,296 | ,078 |
| The employees are stimulated to be self initiative and independent. | Service | 250 | 4,31 | ,790 | ,050 |
| | Production | 274 | 4,08 | ,989 | ,060 |
| Rewarding depends on successfulness of individual. | Service | 246 | 4,33 | ,828 | ,053 |
| | Production | 274 | 4,08 | 1,008 | ,061 |
| Rewarding depends on company's success. | Service | 249 | 4,11 | 1,033 | ,065 |
| | Production | 274 | 3,86 | 1,067 | ,064 |

family companies in the service sector have some special time dedicated exclusively to creative thinking during their working hours (t (516) = 2.092, $p \leq 0.05$). These companies have created the right environment for innovation, enabling innovators to present their new ideas in a relaxed manner. Epner (2008) sees innovation as searching for ways to remove obstacles; he emphasizes the importance of encouraging every employee to participate in presenting new ideas. This results in many good ideas being put forward. Therefore, the right people within a company ought to be regarded as an asset, not as an expenditure (Pegg, 2009).

## 5.7 Good organization

Employees in family companies in the production sector have enough time to finish their tasks (t (521) = -2.405, $p \leq 0.05$), while employees in family companies in the service sector have to do everything they know and can (t (516) = 3.146, $p \leq 0.05$).

## 5.8 The satisfaction and values of the employees

We noted that employees in family companies in the service sector were more satisfied with the permanence of their

*Table 9: Group statistics for those elements of the Process of continuous improvement segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| Within the framework of our working hours we have a special time dedicated exclusively to creative thinking. | Service | 244 | 2,84 | 1,420 | ,091 |
| | Production | 274 | 2,59 | 1,370 | ,083 |

*Table 10: Group statistics for those elements of the Good organization segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| We have enough time for tasks realization. | Service | 249 | 3,78 | 1,018 | ,064 |
| | Production | 274 | 3,99 | ,978 | ,059 |
| We are doing everything we know and can. | Service | 249 | 4,34 | ,842 | ,053 |
| | Production | 274 | 4,07 | 1,080 | ,065 |

*Table 11: Group statistics for those elements of the satisfaction segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| permanence of the employment | Service | 246 | 4,41 | 2,301 | ,147 |
| | Production | 271 | 4,97 | 2,499 | ,152 |
| working time | Service | 246 | 6,98 | 2,573 | ,164 |
| | Production | 271 | 6,51 | 2,711 | ,165 |

*Table 12: Group statistics for those elements of the values of the employees segment where statistically important differences occurred*

| | sector | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| positive results, survival, existence | Service | 246 | 4,18 | 2,309 | ,147 |
| | Production | 271 | 5,04 | 2,249 | ,137 |

employment ($t (515) = -2.623, p \leq 0.05$), while employees in family companies in the production sector were happier with their working time ($t (515) = 2.009, p \leq 0.05$).

In general, when looking at the nine values, we only noted statistically significant differences in the value of positive results, survival and existence ($t (515) = -4.248, p \leq 0.05$); they all go in favor of family companies in the service sector.

The table below presents a confirmation or rejection of the set hypothesis in specific segment as a whole.

## 6 Conclusions

Based on all the collected findings and claims – i.e. the analysis of the individual claims in all nine segments of organizational culture factors, as well as of the given ranges of recorded values and factors of satisfaction – we can therefore ascertain that there exist differences between the individual claims of a particular segment. Differences in an individual set of factors that go in favor of family companies in the service sector occurred in no less than five cases of individual sets. Although the "Stimulation – reward" segment showed no statistically significant differences at all in the whole segment, we decided to confirm set hypothesis based on the analysis of all factors in "Stimulation – reward" segment (there were 4 statistically significant differences out of 7 factors). Other sets – "Loyalty to a Family Company", "Loyalty and Mutual Trust System", "The Process of Continuous Improvement" and "Good organization" – did not confirm the set hypotheses.

On the basis of the ranking of the values themselves, as well as factors of employee satisfaction, we found no significant deviations in favor of family companies in the service sector.

The main or, as the case may be, the basic set hypothesis was therefore **rejected**. On the basis of the survey and analysis of the collected data, we can therefore ascertain that the organizational culture in family companies in the service sector has no significant influence on their increased level of success - precisely because of the statistically significant differences that were confirmed in some segments, but not in the final sum. We could confirm the hypothesis with regard to the importance of the segments; however, upon summing up the

*Table 13: Presentation of the confirmed and rejected hypotheses*

| HYPOTHESIS | CONFIRMED | REJECTED |
|---|---|---|
| Loyalty to a family company is more pronounced in companies in the service sector than companies in the production sector. | | ✦ |
| In family companies in the service sector (M=4.25, SE=0.03), management style is better than in family companies in the production sector (M=4.12, SE=0.03). t (480) = 2.775, p≤0.05 | ✦ | |
| In family companies in the service sector, the loyalty system and mutual trust are more pronounced than in family companies in the production sector. | | ✦ |
| Family companies in the service sector (M=4.33, SE=0.03) place more emphasis on the strategy itself than family companies in the production sector (M=4.12, SE=0.04). t (517) = 4.259, p≤0.05 | ✦ ☐ | |
| Family companies in the service sector (M=4.35, SE=0.03) have more clearly defined criteria for successful business operations than family companies in the production sector (M=3.92, SE=0.03). t (507) = 9.101, p≤0.05 | ✦ | |
| Stimulation is more intensive in family companies in the service sector than in family companies in the production sector. | ✦ ☐ | |
| In family companies in the service sector, more emphasis is placed on the process of continuous improvement than in family companies in the production sector. | | ✦ |
| In family companies in the production sector (M=4.47, SE=0.03), business ethics play a lesser role than in family companies in the service sector (M=4.54, SE=0.03). t (518) = 2.026, p≤0.05 | ✦ | |
| Family companies in the service sector are better organized than family companies in the production sector. | | ✦ |
| There exist differences in values between family companies in the service sector and family companies in the production sector. | | ✦ |
| There exist differences in satisfaction between family companies in the service sector and family companies in the production sector. | | ✦ |

ranges of values and employee satisfaction, the scales tipped in favor of family companies in the production sector. As a result, we have to reject the main hypothesis.

In addition to the analyzed or expressed values of the individual sets of factors in organizational culture, it is not only important to take into consideration the success of company's business operations, but also its growth and further development.

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**Ali obstajajo pomembne razlike v uspehu in organizacijski kulturi med družinskimi podjetji v proizvodnem in storitvenem sektorju v Sloveniji?**

Članek predstavlja razvoj tistih elementov organizacijske kulture, ki pomembno vplivajo na uspeh družinskih podjetij. Raziskava je zajela 24 slovenskih podjetij s 524-imi izpolnjenimi vprašalniki. Postavili smo glavno hipotezo, ki trdi, da obstajajo pomembne razlike v organizacijski kulturi med proizvodnimi in storitvenimi podjetji, ki vplivajo na večjo uspešnost slednjih. Na podlagi dobljenih rezultatov, ki so bili pridobljeni iz analize posameznih trditev v vseh devetih segmentih faktorjev organizacijske kulture, kakor tudi rangiranja vrednot in faktorjev zadovoljstva, lahko trdimo, da obstajajo razlike med individualnimi trditvami določenega segmenta. Razlike znotraj individualnega seta faktorjev, ki dajejo prednost storitvenim podjetjem, so bile zabeležene v petih individualnih setih.

Pomembno je, da poleg analiziranih vrednosti individualnih setov faktorjev organizacijske kulture, ki kažejo na uspešnost poslovanja podjetja, smiselno upoštevamo še nadaljnjo rast in razvoj podjetja.

**Ključne besede:** organizacijska kultura, družinsko podjetje, uspešnost