

## PROMOTING INTEGRITY BEHAVIOUR IN FAMILY FIRMS

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### ABSTRACT

*As the family firms grow, they face the challenges of moral hazard and nepotism. To overcome these challenges, family firms should instill integrity values in their family members and employees so that they behave ethically. Integrity strengthens employee effectiveness, loyalty, and ethical behavior, leading to firm performance. This study investigates the emergence of integrity behavior in employees of a family firm. The aim is to examine the relationship between employees' attitudes, subjective norms, perceived behavioral control (PBC), intention, and behavior toward integrity. The study was conducted in an Indonesian public family firm operating as an interior contractor and furniture manufacturer. This study analyzes 433 cases and found a significant positive relationship among these variables. Interestingly, integrity subjective norm is the strongest factor influencing integrity behavior, fully mediated by integrity intention. Considering that integrity attitude should be the most influential factor forming integrity behavior, this study suggests that family firms design a selection process that can recruit candidates with an integrity attitude.*

**Keywords:** Family firms, Integrity, Theory of Planned Behavior

### 1. INTRODUCTION

The influence of family firms on the global economy and the peculiarities of their management (Anderson & Reeb, 2003) attract further research (Zahra & Sharma, 2004). According to family firm characteristics, 80% of businesses in the world show the characteristics of family firms (Chrisman et al., 2003). Dual roles and altruistic behavior form the unique characteristics of family firms. Dual role behavior occurs due to the ownership and managerial roles played by the founder and family members, while altruism refers to mutual helping and caring behavior among family members (Schulze et al., 2003a). These two behaviors are the basis for the advantages and disadvantages of family firms. The combination of dual roles and altruistic behavior can synchronize the interests of owners and management, reduce agency costs, and speed up decision-making, leading to strengthened competitive advantages (Karra et al., 2006). However, the combination of these behaviors can lead to bias and subjectivity in human resource management, including nepotism practices that are detrimental to the recruitment process and unfair reward systems (Schulze et al., 2003b). Apart from that, the risk of moral hazard also arises when family members act arbitrarily because it is difficult to be monitored.

To overcome moral hazard and nepotism, a family firm must instill integrity values so its family members and employees can make decisions and act ethically (Duggar, 2009; Scherkoske, 2010). Integrity behavior is essential for family firms to strengthen employees' effectiveness, loyalty, and ethical behavior, leading to firm pride and performance (Kouzes & Posner, 2006). This research specifically investigates the emergence of integrity behavior in a family firm's employees.

Further research is needed to understand the emergence process of integrity behavior. This study uses the theory of planned behavior (TPB) (Ajzen, Icek, 1985; Ajzen, 1991) to explain how integrity behavior emerges from an individual's integrity attitude, subjective norms, and perceived behavior control (PBC) through their integrity intention. We employed TPB because of its popularity in explaining the emergence of individual's specific behavior in the workplace (Dunstan et al., 2013; Kashif et al., 2018; Lin & Chen, 2011; Wong & Lee, 2016) in any cultural contexts (Hagger et al., 2007; Hassan et al., 2016), and its ability to help design interventions to change behavior (Chatzisarantis & Hagger, 2005; McEachan et al., 2011; Tsorbatzoudis, 2005) in a simple approach (Lortie & Castogiovanni, 2015; Si et al., 2019). This research used 433 cases from a big Indonesian family firm to test the relationship empirically. This firm engages in the interior contractor and furniture industry.

This study contributes to the current behavior and family firm research by providing empirical evidence about the dominance of subjective norms in influencing intentions and behavior toward integrity. Realizing attitude should be the most important aspect in shaping integrity behavior (Albarracín et al., 2001). This study suggests family firms focus on recruitment process to find employees already equipped with integrity attitudes.

The TPB theory posits that behavior is influenced by three types of beliefs: behavioral, normative, and control beliefs. These beliefs determine an individual's attitude, subjective norms, and perceived behavioral control, ultimately shaping their behavioral intentions and influencing their behavior (Ajzen, 1991). Thus, the integrity behavior of family firm employees should be influenced by their attitude, subjective norms, and perceived behavior control toward integrity. Integrity is the integration within an individual of beliefs, statements, and actions (Tullberg, 2012). The employees' integrity can manifest in their promise-keeping behavior (Erhard et al., 2017). In more popular terms, it is called walk-the-talk behavior. We speculate that the integrity intention could be determined by employee's belief about the positive impacts of walk-the-talk behavior. Thus, it is hypothesized that:

- (1) H1a: employees' integrity attitude positively affects employees' intention to walk-the-talk.
- (2) H1b: employees' integrity intention mediates the relationship between employees' integrity attitude and employees' behavior to walk-the-talk.

Individuals tend to meet the expectations of those who hold influence (Dawson et al., 2015). Consequently, these expectations may determine the individual's intention to engage in certain behaviors (M.-F. Chen & Tung, 2014). As a result, employees' inclination to walk-the-talk in the workplace will be strengthened, and they will feel more motivated to exhibit this behavior if the people in their social circle support their efforts. This proposition aligns with Ajzen's (1991) theory, which suggests that individuals are more likely to engage in a behavior if they perceive greater subjective norms. Thus, it is hypothesized that:

- (3) H2a: employees' perceived subjective norms of integrity positively affect employees' intention to walk-the-talk.
- (4) H2b: employees' integrity intention mediates the relationship between employees' subjective norms of integrity and employees' behavior to walk-the-talk.

Individuals are more likely to have a stronger intention to engage in a specific behavior if they have some degree of control over themselves (Gao et al., 2017). Consequently, if employees possess confidence in their capability, willingness, and autonomy to enhance their capability to keep their promise, they will probably form a stronger integrity intention. Thus, it is hypothesized that:

- (5) H3a: employees' perceived behavior control of integrity positively affects employees' intention to walk-the-talk.
- (6) H3b: employees' integrity intention mediates the relationship between employees' perceived behavior control of integrity and employees' behavior to walk-the-talk.

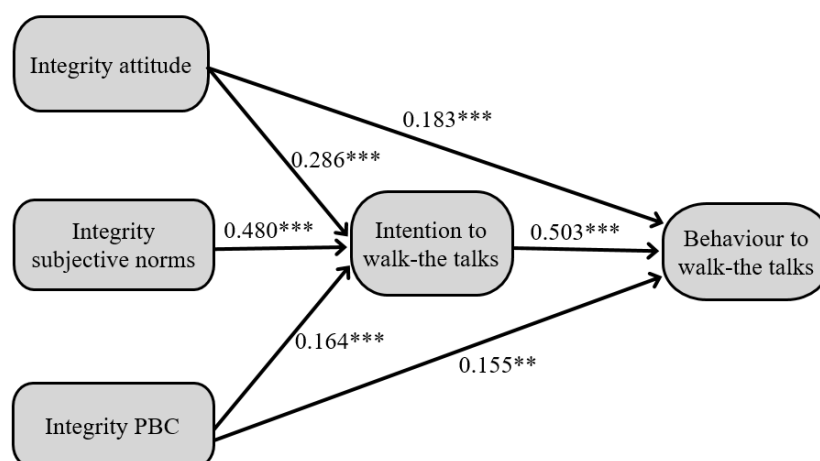
## 2. RESEARCH METHOD

This study was conducted in an established public company operating as an interior contractor and furniture manufacturer in Indonesia for nearly four decades. The company, which is predominantly owned by its founder, is currently undergoing a management transition from the first to the second generation. It employs over 1,200 individuals across five factories and a headquarters and relies on ten core values to achieve its vision and mission. The study aimed to examine one of its core values, i.e., integrity, by examining the relationship between employees' attitudes, subjective norms, perceived behavioral control (PBC), intention, and behavior toward integrity. Data for this research was collected over two months through online self-report questionnaires answered by company employees, resulting in 433 final cases.

We interviewed the company's human resource manager to assess the main variables related to integrity value. This value was found to be reflected in behaviors demonstrating integrity. We then used established methods to develop questionnaires (see Appendix ) to assess employees' attitudes, norms, perceived behavioral control, intention, and behavior toward integrity (Ajzen, 2019; Fishbein & Ajzen, 2011). However, we could not gather sufficient information about the respondents' characteristics, such as education and age, which could potentially influence their intentions and behavior (Bakker et al., 2007; Schaufeli et al., 2009).

We used Multiple Linear Regression (MLR) and Hierarchical Multiple Regression approaches. MLR allows researchers to simultaneously determine model variations and the degree of influence of each independent variable on the dependent variable (Wooldridge, 2015). Hierarchical Multiple Regression measured the influence of the relationship between control and independent variables on the dependent variable (Jimmieson et al., 2008; Zikmund et al., 2013). In this study, we used two models. In the first model, integrity intention was positioned as the dependent variable, while in the second model, integrity behavior was used as the dependent variable.

## 3. RESULTS AND DISCUSSIONS



**Figure 1. The Relationship of Main Variables**

The results show a significant positive relationship between integrity attitudes and intentions to walk-the-talk ( $\beta=0.286$ ,  $p<0.001$ ), subjective norms and intentions to walk-the-talk ( $\beta=0.480$ ,  $p<0.001$ ), PBC and intentions to walk-the-talk ( $\beta=0.164$ ,  $p<0.001$ ), as well as intentions and behavior to walk-the-talk ( $\beta=0.503$ ,  $p<0.001$ ). These results support hypotheses H1a, H1b, and H1c.

This research found a significant relationship between integrity attitudes and behavior ( $\beta=0.183$ ,  $p<0.001$ ), as well as integrity PBC and behavior ( $\beta=0.155$ ,  $p<0.01$ ). These findings show the full mediation of integrity intention on the relationship between integrity subjective norms and behavior, as well as the partial mediation of integrity intention on the relationship between integrity attitude and behavior and the relationship between integrity PBC and behavior. These results support hypothesis H1b and partially support hypotheses H1a and H1c.

**Table 2. Multiple Hierarchical Regression**

Variables	Intention to walk-the-talk		Behavior to walk-the-talk			
	1	2	3	4	5	6
Business Unit	-	0,004(NS)	0,004(NS)	0,027(NS)	0,037(NS)	0,039(NS)
	0,038(NS)					
Gender	0,065(NS)	-	0,050(NS)	0,008(NS)	0,019(NS)	0,012(NS)
		0,014(NS)				
Managerial level	-	-	-	0,062(NS)	0,067(NS)	0,048(NS)
	0,107(NS)	0,038(NS)	0,007(NS)			
Intention to walk-the-talk				0,640***	0,503***	
Integrity Attitude		0,286***			0,183***	0,327***
Integrity Subjective Norm		0,480***			-0,107NS	0,134***
Integrity PBC		0,164***			0,155***	0,238***
R Square	0,012	0,646***	0,002	0,406***	0,450***	0,360***
Adjusted R Square	0,005	0,641***	-0,005	0,401***	0,441***	0,351***
Change in R	0,012	0,635***	0,002	0,404***	0,044***	0,360***

Examining the effects of control variables, i.e., business unit, gender, and managerial level, on integrity behavior, we found their impacts were insignificant. The model predicts 45% (R Square=0.450) of integrity behavior variance.

This study utilizes Ajzen's (1991) TPB model to explore the association between integrity attitude, subjective norm, PBC, intention, and behavior. The empirical results confirm TPB's proposition of a positive link between a specific intention and behavioral attitude, subjective norms, and PBC, as well as the positive connection between intention and the corresponding behavior, aligning with prior research on employee behavior in the workplace (Kashif et al., 2018; Lin & Chen, 2011; Wong & Lee, 2016). Specifically, this study builds upon Gao et al.'s (2017) findings by highlighting the influence of subjective and descriptive norms on individual intention in workplace behavior. Indeed, the support and positive expectations from the inner circle greatly influence employees' intentions to behave in keeping promises. Ideally, attitude should dominate in shaping integrity behavior (Albarracín et al., 2001).

There are two factors underlying motivating integrity behavior, i.e., moral compass and internal drive (Barnard et al., 2008). A moral compass is the conformity of a person's actions with values and norms widely accepted in a society, such as respecting and empathizing with others. Internal encouragement consists of desires, needs, aspirations, and personal goals, which become a source of internal motivation and energy to carry out integrity. In the context of this research, the moral compass is related to subjective norms because it comes from the desire to be widely accepted based on the values that apply in society. Meanwhile, internal drive relates to individual attitudes, which become a person's internal motivation and energy for doing something.

Integrity development is rooted in an individual's childhood when parents and other important role models in a particular socio-cultural context shape a moral compass, internal drive, moral intelligence, self-insight, conscience, and self-view (Barnard et al., 2008). Accordingly, integrity is developed continuously by various contextual circumstances from childhood to old age/death. Integrity level is not absolute because individuals constantly face experiences and life choices that test their integrity. In every new environment and unique situation, individuals demonstrate behavior that reflects their level of integrity. Someone with high integrity may act with little integrity in certain situations and vice versa. Integrity may eventually evolve, so individuals' integrity is measured by their daily behavior (Barnard et al., 2008).

In addition to the study's implications, its limitations should be acknowledged, and future research directions should be proposed. First, TPB may not encompass all aspects of behavior, such as emotions (Baumeister et al., 2007), past experiences (Kidwell & Jewell, 2008), and situational factors (Funder, 2006). Furthermore, the stability of attitude, subjective norm, and PBC across different situations and individual conditions may vary, suggesting the need for future research to explore alternative behavioral theories like self-efficacy theory (Bandura & Adams, 1977; Maddux, 1995) to understand the behavior of family firms' employees in the workplace. Second, future research could utilize observation methods instead of self-reported data to achieve more accurate results, as self-reported data may be influenced by respondents' lack of awareness regarding their true attitudes, subjective norms, and PBC (Furr & Funder, 2007). Finally, when conducting research using cross-sectional data, caution must be taken in concluding causality (Maxwell et al., 2011; Rindfleisch et al., 2008), as this approach may not capture the stability of the work environment (Brauchli et al., 2013). A longitudinal approach would be more appropriate for understanding the effects of employees' attitudes and behaviors in the workplace.

#### **4. CONCLUSION AND RECOMMENDATIONS**

The results of this research have three managerial implications. First, the family firms must have a rewards & punishments scheme and enforce its implementation necessary to maintain the daily practice of integrity. Even though reward and punishment schemes have already existed, if enforcement is weak, employee integrity behavior will be inconsistent. Second, to reflect the values of integrity in the work environment, managers must demonstrate behaviors consistent with the values of integrity and continuously promote them in all aspects of their work. Consistency in upholding the value of integrity in the workplace will influence employee perceptions of job satisfaction, commitment to the organization, and satisfaction with leadership (Davis & Rothstein, 2006). Third, family firms should recruit individuals who have a high attitude toward the value of integrity and fit the company culture. The cultural fit aspect is a very important factor in hiring decisions, even more important than the candidate's level of productivity.

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