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The Cultural Foundations of Family Business Management: Evidence from Ukraine

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Abstract

This study empirically examines what makes Ukrainian family-firm culture unique by comparing the values and beliefs of Ukrainian family-business members with that of professional bank managers within Ukraine. Morck and Yeung (2003) suggest that the implications of family business are especially relevant for former planned economies such as Ukraine in that government's social policy on the encouragement or discouragement of privately-held sectors of the economy is yet to be fully formed. Ukraine's future course in this regard is particularly sensitive as the pre-Soviet Ukrainian economy was almost entirely held in private hands while the Soviet-era economy was almost entirely state-controlled. Family-firm literature stresses the differences between family-firm and professional management in terms of culture, goal-setting, and strategy. Family-firm culture is said to be a resource leading to competitive advantage. This study is based on a survey comparing 76 family-firm members and 99 professional managers. Statistically significant differences between the culture of members of family-owned firms and professional managers were found within Ukraine. Family-firm membership had a significant effect in five culture constructs. We can conclude that differences in Power Distance, Social Cynicism, Social Flexibility, Spirituality and Fate Control describe fundamental aspects of family-firms in Ukraine and may possibly contribute to family-firm competitive advantage as discussed in management literature.

Keywords: *Family Business, Ukraine, Culture*

JEL Categories: *M14, M16, M19*

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1. Introduction

This study empirically creates a cultural profile of post-Soviet Ukrainian family-firms. Family-firm literature has in the past strongly suggested that family-firm culture has a major effect on goal-sets (Sharma, Chrisman & Chua 1997), strategy (Davis 1984; Dyer 1994; Sharma, Chrisman & Chua 1997; Hall, Melin & Nordqvist, 2001), and performance (Dyer 1986; Ram & Holliday 1993; Whyte 1996). However, little has been done to empirically delineate what that culture might actually consist of. Without attempting to tie specific cultural values or beliefs to performance outcomes, this study uses seven cultural constructs from the literature to develop a profile of Ukrainian family firms and to distinguish this from a profile of Ukrainian non-family management.

Family-owned firms dominate most of the world's economies, and are a major source of entrepreneurship, but are under-researched, especially in a cross-cultural way. Entrepreneurship is a major driver of developing economies although a developing economy's culture may be an inhibitor (Todorovic and McNaughton, 2007) and thus Ukraine is an especially appropriate country to study in this regard. The implications of family business are especially relevant for former planned economies such as Ukraine in that government's social policy on the encouragement or discouragement of privately-held sectors of the economy is yet to be fully formed (Morck & Yeung, 2003).

It is commonly assumed that firms are managed to maximize the returns of owners (Varian 1978), but managers may maximize their self-interest in the same way owners do, making decisions that further their own interests but do not promote the interests of shareholders (Berle & Means 1932). Strategies and structures that maximize ownership value will more likely be found in companies that have a large amount of ownership control than in companies without (McEachern 1975). Family-owned businesses should be the strongest examples of these.

The family organization is unequaled in the transfer of culture between generations (Gersick et al 1997). In a family firm, the family's values become the company's cultural values. An inimitable culture can be a resource which leads to sustained competitive advantage (Barney 1986). If cultural values that are valuable to success are embedded in a family organization then this may lead to a competitive advantage.

Although observable cultural attributes of family firms have been described and compared with non-family firm culture, only a small amount of quantifiable cultural comparisons has been presented. Hall, Melin, and Nordqvist (2001) conclude that similarities and differences in cultural characteristics between family firms in different countries should be researched using cross-cultural comparative studies of family businesses. Tsui, Nifadkar, and Ou (2007) urge a polycontextual approach that recognizes within-nation cultural variations including the effects of professional culture variations. Professional culture may override the influence of national culture (Parboteeah et al., 2005). This study begins to bridge this gap by empirically and quantifiably showing evidence of value and belief cultural attributes of family-owned firms which differentiate them from non-family businesses.

2. Competitive Advantage of Family Business

Despite all disadvantages, family firms have so often been so successful that kinship must supply major benefits (Goody 1996). Although disadvantages have been found, much family business research indicates family organizations having large competitive advantages (Brokaw,1992). Aronoff and Ward, (1995), among others, argue that the family firm is a superior model for success. Daily and Dollinger's (1992) research also found that family control resulted in performance advantages.

Family firms may have an organizational-culture-based competitive advantage. Barney (1986) holds that a source of sustained competitive advantage can arise from an inimitable culture. Thus, if values that are valuable to success are embedded into the family, the family organization may have a competitive advantage. There are two important factors that drive behavior in family organizations: familial goals and values (Dyer 1986; Tagiuri & Davis 1992; Fukuyama 1995) which include development and support of family members. Firms, however, use economic criteria such as profits, market share, and efficiency to measure performance. Family firm research indicates that family goals and needs often drive decisions regarding plant location, financial strategy, and business strategy (Ward 1988; Kahn & Henderson 1992; Mishra & McConaughy 1999).

Ward (1988) finds that family businesses encourage family-oriented environments and inspire strong employee loyalty. Family-firms tend to bring out better performance in their employees (Moscetello 1990), and are seen to have greater trustworthiness (Ward & Aronoff 1991; Tagiuri & Davis 1996). Family values take precedence over corporate values; family business managers have a reputation for integrity and their reputation with suppliers and customers is stronger than those of non-family firms (Lyman 1991). In a family firm, family values become organizational cultural values. A family business's culture is the product of beliefs, values, and goals embedded in its history and social ties (Hall, Melin & Nordqvist, 2001). The generational transfer of beliefs and values creates a stable family culture and family business.

Johnson (1986) and Schoenenberger (1997) state that firm strategy has its origins in firm culture. Family goals and family-firm business strategies tend to be closely aligned, allowing commitment to a more successful long-run strategy (Aronoff &

Ward 1994). Kets de Vries (1996) found that family-firm founders exhibit stronger requirements for control. Founders are less likely to delegate power, and family firms tend to be centralized and controlled by the founder's beliefs (Kets de Vries 1996). Coffee and Scase (1985); Hall (1988); Tagiuri and Davis (1996); Poza, Alfred, and Maheshwari (1997) also find that decision-making is centered with the top family members in family-firms. Family businesses thus foster closer alignment between organizational culture and strategy and greater commitment to the strategy. Davis (1984) emphasizes the importance of culture to strategy by arguing that strategy arises from guiding beliefs which are why the organization wants to accomplish the strategy. Internalization of these beliefs by firm members leads to higher performance (Dyer 1986).

Family organizations respond faster to environmental changes (Dreux 1990), are less environmentally dependent, and are thus less vulnerable to economic reversals (Donckels & Frohlich 1991). Family businesses react less to economic cycles because they have a long-term vision (Ward 1997). Family firms use a short-term planning horizon in response to uncertain environments and very long time horizons in stable environments (Bruun 1993; Whyte 1996; Perez-Lizaur 1997). Family firm members are easier to coordinate and are more adaptable when conditions change because of their tacit knowledge of each other and of the firm (Benedict 1968; Greenhalgh 1989; Ram & Holiday 1993).

The literature shows that the competitive advantage of family firms are based on their organization’s inimitable family-based culture. Specific and distinctive qualities of family firms include goals that support family members and values of altruism. This culture leads to a family-oriented environment, stronger employee loyalty, greater reputation for integrity and ethical behavior, closer alignment between organizational culture and strategy, faster response to environmental shifts, and a longer term viewpoint that is less reactive to economic cycles. Family firms also tend to coordinate family members in the firms better than non-family firms do their executives and staff.

3. Metrics of Family Business Culture

The literature identifies a wide range of culture-based behaviors which may be different for family firms and which may provide some competitive advantage to the family firm. But before culture’s impact on the strategy and performance of family firms can be examined, there must be some way of establishing cultural benchmark measures for both family and non-family firms. Another body of literature, which of cultural constructs, has developed measures of culture. These measures have mainly been used to compare culture at the level of the nation, but some can be used at the organizational level to compare family and non-family firms.

Geert Hofstede (1980 1991, & 2001) has shown that his instrument items for Power Distance and Masculinity-Femininity are suitable to measure the cultures of occupational groups and not just entire nations. Hofstede states that social classes, which are closely linked with occupation, carry different class cultures (Hofstede 1991). His findings showed that Power Distance measurements varied significantly by occupation, both across national cultures and within national cultures. Hofstede defined Power Distance as the "extent to which the less powerful members of institutions and organizations within a society expect and accept that power is distributed unequally" (Hofstede, 2001) and is related to the degree of autocratic leadership that is preferred. Masculinity/Femininity scores should be lower in cultures that have more tender values with a greater concern with quality of life and other welfare issues (Hofstede, 2001).

Leung, Bond et al. (2002) have empirically shown that beliefs correlate more closely to managerial behavior than do surveyed values or attitudes. Their five measurements of social axioms are designed for the personal level rather than the national level (Bond, 2004) and can be used to differentiate both national culture and sub-national groupings. Social Cynicism is the belief that manipulation is effective in getting ahead of others (Leung and Bond 2004). Social Flexibility measures the contradictory nature of social behavior, a belief in the lack of rigid rules, and the existence of multiple solutions to a problem (Leung and Bond 2004). Reward for Application is the degree of belief that trying hard and being persistent will pay-off (Leung and Bond 2004). Spirituality is the degree of belief in the supernatural or religious factors of existence (Leung and Bond 2004). Fate Control is the degree of belief in whether events can be controlled (Leung and Bond 2004).

In this study, we view family businesses as a subgroup with hypothesized cultural attributes distinct from non-family businesses. In this way, we see family business owner-managers as a kind of occupational grouping. We then use both Hofstede's and Bond's measures to look for significant differences between family and non-family firms that may make family firms distinctive. Identifying such distinctive cultural attributes could be the first step in understanding the hypothesized culture-based advantages of family firms.

4. Hypotheses

Every culture includes a range of values and beliefs which can be measured via survey questionnaires. This study used cultural measures to look at family-business culture across nations and in comparison with non-family management culture of the same nation. Cultural measures have been shown to differ significantly between some occupations as well as between national cultures (Hofstede 1980 & 2001). Family-business owners and managers may be seen as both classes and occupational categories. We thus expect that the values/beliefs that drive the family business may diverge significantly not only from those of family firms in other nations, but also from the average values/beliefs of professional managerial culture in the same nation.

Our hypotheses address the specific differences we expect to find on our culture measures between family and non-family firms in Ukraine. Kets de Vries (1993), Dyer (1994); along with Gersick et al (1997) label family firms as often being inward-looking, traditional, unyielding, and difficult to change. Kets de Vries (1996) states that two common characteristics of family-firm founders are mistrust and a requirement for control. Founders usually do not like to delegate power, and their firms are usually centralized and controlled by the founder's beliefs (Kets de Vries 1996). Coffee and Scase (1985); Hall (1988); Tagiuri and Davis (1996); Poza, Alfred, and Maheshwari (1997) also find that decision-making is centered with the top family members in family-firms. These descriptions suggest that family firms may score high in the Power Distance dimension. Hofstede (1991) states that his Power Distance measurement will be lower in groups with higher education, class, and occupational status. Thus professionally trained managers may have relatively lower scores in this dimension.

H1: Mean *Power Distance* scores for Ukrainian family-firm members will be higher than the mean scores for professional managers of non-family Ukrainian firms.

It should be noted that the above references to founders' rigidity, mistrust, and control seem to contradict the earlier references to the stronger culture of trust and loyalty found in family firms. Thus, it seems possible that the results could go either way. We have predicted an outcome that seems to align with the preponderance of the literature.

The Masculinity/Femininity dimension's definition (Hofstede, 2001) states that groups scoring low on Masculinity (high in Femininity) would be more tender with a greater concern with quality of life and other welfare issues. Stewart (2003) states that leaders of kinship-based firms may need to display conspicuous generosity towards family. Schulze et al. (2001) also say that altruistic values influence family businesses and that family altruism makes family-business membership valuable in ways that is not usually found in membership with other kinds of firms. Thus it may be expected that members of family-firms will be more concerned with welfare and quality of life issues than would non-family professionals, and will score higher on Feminity or lower on Masculinity.

H2: Mean *Masculinity* scores for Ukrainian family-firm members will be lower than the mean scores for professional managers of non-family Ukrainian firms.

Leung and Bond's (2004) research finds that Social Cynicism relates positively to lower life satisfaction, lower satisfaction toward one's company, a faster pace of life (possibly related to a business-like transactional approach to life), a rejection of value-based leadership, and more disagreement with the in-group. On the other hand, Dyer (1986); Tagiuri and Davis (1992); and Fukuyama (1995) find that family goals and values are the factors driving family business behavior. Family firms generally have family-oriented workplaces which inspire stronger than usual loyalty (Ward 1988). Family relationships generate higher than usual motivation, loyalty, and trust (Tagiuri & Davis 1996). Family values and personal relationships take precedence over the usual values found in corporations; and family firm members exhibit high integrity and relationship commitment (Lyman 1991). Thus it is expected that family-firm members will score relatively low on Social Cynicism.

H3: Mean *Social Cynicism* scores for Ukrainian family-firm members will be lower than the mean scores for professional managers of non-family Ukrainian firms.

Leung and Bond's (2004) research finds that Social Flexibility relates positively with a belief in the lack of rigid rules, the existence of multiple solutions to a problem and inconsistency in human behavior. Family firm members are more adaptable than non-family firms in changeable conditions (Benedict 1968; Greenhalgh 1989; Ram & Holiday 1993). Family firms are more flexible in reducing consumption during economic downturns and expanding working hours during economic upturns (Blim 1990; Song 1999). Family firms have greater flexibility than non-family firms in using a short-term planning horizon in uncertain environments and very long time horizons in stable environments (Bruun 1993; Perez-Lizaur 1997; Whyte 1996). Thus it is expected that family firm members will score relatively high on Social Flexibility.

H4: Mean *Social Flexibility* scores for Ukrainian family-firm members will be higher than the mean scores for professional managers of non-family Ukrainian firms.

Leung and Bond's (2004) research finds that Reward for Application relates positively to higher reliance on superiors, lower reliance on specialists, as well as a lower emphasis on mutual attraction, education and intelligence. It is also related to a lower tolerance for divorce. Kets de Vries (1996) found that family-firm founders are less likely to delegate power, and family firms tend to be centralized and controlled by the founder's beliefs (Kets de Vries 1996). Coffee and Scase (1985); Hall (1988); Tagiuri and Davis (1996); Poza, Alfred, and Maheshwari (1997) also find that decision-making is centered with top family members in family-firms. Managerial influence may be based on kinship rather than expertise (Greenhalgh 1994). Thus it is expected that family firm members will score relatively high on Reward for Application.

H5: Mean *Reward for Application* scores for Ukrainian family-firm members will be higher than the mean scores for professional managers of non-family Ukrainian firms.

Leung and Bond's (2004) research finds that Spirituality relates positively with a stronger endorsement of humane leadership, longer working hours, more frequent church attendance and a higher level of agreeableness. Family firm members are more committed (Mattessich & Hill 1976), harder working (Benedict 1968; Ram & Holliday 1993) and longer-serving than non-family members (Wong 1988; Song 1999). Moscetello (1990) finds that family organizations have less managerial politics. Adams, Taschian, and Shore (1996) find that a family firm's leadership is more unlikely to impose bureaucratic codes of ethics and is more apt to lead using role modeling. Lyman (1991) states that family values are emphasized over corporate values and family-firm leaders more likely to exemplify integrity and commitment to relationships. Thus it is expected that family firm members will score relatively high on Spirituality.

H6: Mean *Spirituality* scores for Ukrainian family-firm members will be higher than the mean scores for professional managers of non-family Ukrainian firms.

Leung and Bond's (2004) research finds that Fate Control relates positively to lower work ethics, lower endorsement of team-oriented and charismatic leadership, and lower satisfaction of life and towards one's company. These findings are consistent with the idea that people high in fate control respond passively to events that occur to them. Family organizations give employees higher pay (Donckels & Frohlich 1991), greater work flexibility (Coffee and Scase 1985) and inspire greater employee loyalty than non-family firms (Ward 1988). Moscetello (1990) says that family firms bring out the best in their employees. Human resource management in family organizations is less expensive and more effective (Levering & Moskowitz 1993). Adams, Taschian, and Shore (1996) find that a family firm's leadership is more likely to use a role modeling type of leadership and Lyman (1991) states that family-firm leaders are more likely to exemplify integrity and commitment to relationships. Thus it is expected that family firm members will score relatively low on Fate Control.

H7: Mean *Fate Control* scores for Ukrainian family-firm members will be lower than the mean scores for professional managers of non-family Ukrainian firms.

5. Methods

Sample and Instrument

Small to medium-sized family-owned firms were sampled in Ukraine (a former planned-economy in the process of developing a market economy) and compared with samples from professional managers. These firms were predominately retail 'brick and mortar' businesses; none of which were engaged in farming, fishing or financial services. Family ownership status was self-reported and firms were in all cases 100 percent family-owned. Only family-firm members who participate in their business were surveyed. Ukrainian Bank managers, who occupy supervisory positions, were chosen as proxies for professional management by virtue of being professionally trained, both at university and within their corporations. Although family firms predominate in most of the world, banking is one of the few industries that is professionally managed throughout the world.

This survey was conducted in the Western Ukrainian city of Ivano-Frankivsk (in a region which is overwhelmingly ethnic Ukrainian). All bank branches in the city were contacted. 76 family-firm and 99 bank manager surveys were returned with response rates of 60 and 70 percent respectively. Instrument items were translated to Russian and then back-translated to English to ensure accuracy per Brislin (1970) and the instrument was in English for the U.S. sample.

Hofstede's instrument items for Power Distance and Masculinity-Femininity (Hofstede 1980 and 1991) were taken from his Values Survey Module 1994 Questionnaire (four items each). Leung and Bond's (2004) five measurements of social axioms were used (39 items). Culture items were scored according to a 5-point Likert scale.

6. Results

While this paper only concerns the profile of Ukrainian family firms, the results are taken from a larger cross-cultural study. Table 1 gives relevant descriptive statistics and Table 2 shows correlations between constructs within each country. The MANOVA results (see Table 3) suggest that there are effects for national setting, for family/nonfamily, and an interaction between business type and national setting. This suggests that the pattern of findings for the seven scales depends both on individuals' national settings and their family/nonfamily business status.

Table 1: Descriptive Statistics

	N	*Min.*	*Max.*	*Mean*	*Std. Deviation*	*Skewness*	*Std. Error*	*Kurtosis*	*Std. Error*
Ukraine, Family									
PDI SCORE	75	1.667	4.000	2.809	0.426	0.079	0.277	0.593	0.548
MAS SCORE	76	1.500	3.250	2.296	0.410	0.218	0.276	-0.931	0.545
SC SCORE	76	2.158	4.316	3.579	0.469	-0.797	0.276	0.113	0.545
RA SCORE	76	2.438	4.688	3.888	0.365	-0.619	0.276	2.292	0.545
SF SCORE	76	2.857	4.429	3.723	0.353	-0.135	0.276	-0.661	0.545
S SCORE	76	2.417	4.583	3.618	0.481	-0.283	0.276	-0.240	0.545
FC SCORE	76	1.875	4.625	3.512	0.606	-0.564	0.276	-0.305	0.545
Ukraine, Bank									
PDI SCORE	99	2.250	4.000	3.030	0.380	0.459	0.243	-0.143	0.481
MAS SCORE	99	1.250	3.500	2.356	0.431	0.213	0.243	-0.144	0.481
SC SCORE	99	2.316	4.000	3.268	0.318	-0.021	0.243	-0.218	0.481
RA SCORE	99	2.688	4.875	3.797	0.388	-0.213	0.243	0.415	0.481
SF SCORE	99	2.571	3.929	3.420	0.242	-0.473	0.243	1.044	0.481
S SCORE	99	2.583	4.083	3.282	0.373	0.051	0.243	-0.859	0.481
FC SCORE	99	1.625	4.375	3.169	0.483	-0.437	0.243	0.927	0.481

Table 2: Pearson Correlations

		PDI SCORE	**MAS SCORE**	**SC SCORE**	**RA SCORE**	**SF SCORE**	**FC SCORE**	**S SCORE**
Ukraine	PDI SCORE	1.000						
N=175	MAS SCORE	0.089	1.000					
	SC SCORE	-0.250*	-0.039	1.000				
	RA SCORE	-0.176*	-0.380*	0.100	1.000			
	SF SCORE	-0.244*	-0.091	0.613*	0.230*	1.000		
	FC SCORE	-0.138	-0.269*	0.437*	0.421*	0.425*	1.000	
	S SCORE	-0.262*	-0.126	0.544*	0.332*	0.523*	0.572*	1.000

* Correlation is significant at the 0.01 level (2-tailed).

Table 3: MANOVA Tests

Effect	Multivariate Tests(c)	*Value*	*F*		*Hypo. df*	*Error df*	*Sig.*	*Partial Eta Squared*	*Noncent. Parameter*	*Observed Power(a)*
Intercept	*Pillai's Trace*	0.218	12.779	(b)	7.00	321.0	0.000	0.218	89.450	1.000
	Wilks' Lambda	0.782	12.779	(b)	7.00	321.0	0.000	0.218	89.450	1.000
	Hotelling's Trace	0.279	12.779	(b)	7.00	321.0	0.000	0.218	89.450	1.000
	Roy's Largest Root	0.279	12.779	(b)	7.00	321.0	0.000	0.218	89.450	1.000
nation	*Pillai's Trace*	0.736	127.557	(b)	7.00	321.0	0.000	0.736	892.898	1.000
	Wilks' Lambda	0.264	127.557	(b)	7.00	321.0	0.000	0.736	892.898	1.000
	Hotelling's Trace	2.782	127.557	(b)	7.00	321.0	0.000	0.736	892.898	1.000
	Roy's Largest Root	2.782	127.557	(b)	7.00	321.0	0.000	0.736	892.898	1.000
family	*Pillai's Trace*	0.348	24.474	(b)	7.00	321.0	0.000	0.348	171.317	1.000
	Wilks' Lambda	0.652	24.474	(b)	7.00	321.0	0.000	0.348	171.317	1.000
	Hotelling's Trace	0.534	24.474	(b)	7.00	321.0	0.000	0.348	171.317	1.000
	Roy's Largest Root	0.534	24.474	(b)	7.00	321.0	0.000	0.348	171.317	1.000
nation * family	*Pillai's Trace*	0.237	14.238	(b)	7.00	321.0	0.000	0.237	99.666	1.000
	Wilks' Lambda	0.763	14.238	(b)	7.00	321.0	0.000	0.237	99.666	1.000
	Hotelling's Trace	0.310	14.238	(b)	7.00	321.0	0.000	0.237	99.666	1.000
	Roy's Largest Root	0.310	14.238	(b)	7.00	321.0	0.000	0.237	99.666	1.000

a. Computed using alpha = .05

b. Exact statistic

c. Design: Intercept+nation+family+nation * family

First, the MANOVA results suggest the country samples differ significantly on the dependent variables (that is, the seven culture scales). Second, the nonfamily/family grouping also differs significantly on the culture scales. Third, there are significant interactions present; that is either the family business effect is stronger or the nonfamily business effect is stronger in one country across the seven scales. This provides a simultaneous test of the relationship of an individuals' national status and their business status on the seven cultural measures. While national culture may be causing the greatest observed differences in the constructs, business type and the interaction of business type with national setting also play an important role in explaining responses.

A discriminant analysis was used to follow-up which of the dependent variables are most responsible for the group differences. Overall, 78 percent of individuals were correctly classified by the model. Results suggest there are two functions that describe differences among the groups. The first is strongly related to discriminating among national groups and the second is moderately related and describes the effect of family/non-family status. Thus, MANOVA and discriminant analysis provide support for the construct validity of the measures by showing that national groups and non-family versus family business groups differ significantly on the set of constructs.It was proposed that the values/beliefs that drive the Ukrainian family business would diverge significantly from the average values/beliefs of Ukrainian professional non-family management culture. Within Ukraine, all constructs showed significant differences between family-firm and non-family management scores except for Masculinity and Reward for Application (see Table 4). Thus, the results show support in 5 of 7 cultural constructs within Ukraine.

Table 4: Family and Bank Score Variations

	Means	
	Family	**Bank**
PDI (Power Distance)	2.809*	3.030*
MAS (Masculinity)	2.296	2.356
SC (Social Cynicism)	3.579*	3.268*
SF (Social Flexibility)	3.723*	3.420*
RA (Reward for Application)	3.888	3.797
S (Spirituality)	3.618*	3.282*
FC (Fate Control)	3.512*	3.169*

* = differences significant at 0.0036 (two-tailed test)

Findings

Hypothesis' H1 through H7 predict the direction family-firm scores will differ from professional manager scores on each construct across national cultures. Two (of five) significant results for Ukraine align with the predicted direction. The significant result for Power Distance was opposite the predicted direction. We noted above the conflicting suggestions from the literature about Power Distance. Our results provide support for lower Power Distance in family firms. Our results also provide support for greater Social Cynicism, Social Flexibility, Spirituality and Fate Control in Ukrainian family firms. See Table 5 below for complete results.

Table 5: Actual Family-Firm Score Variation vs. Predicted Direction*

		Predicted Direction of Score Variation (Family vs. Bank)	Actual Direction of Score Variation (Family vs. Bank)
H1:	PDI (Power Distance)	Higher	Lower
H2:	MAS (Masculinity)	Lower	Lower **
H3:	SC (Social Cynicism)	Lower	Higher
H4:	SF (Social Flexibility)	Higher	Higher
H5:	RA (Reward for Application)	Higher	Higher **
H6:	S (Spirituality)	Higher	Higher
H7:	FC (Fate Control)	Lower	Higher

* = family-firm scores as compared to bank scores
** = differences between family-firm scores and bank scores not significant

7. Discussion

Value and belief cultural characteristics in family firms and professional management in Ukraine were empirically researched by this study. Family-firm members can be measured as members of a class or occupation. This study's results align with findings in the literature that social classes, which are closely linked with occupation, carry different class cultures (Hofstede 1991).

Until this study, family-business members have not been studied in these terms. Family business literature often points to family-firm culture as being different than professional management culture, as well as being a source of sustainable competitive advantage; however, most studies only focus on observable behavior resulting from these differences. The literature has provided little in the way of empirical quantitative data to delineate exactly what the values or beliefs in question might be.

This study found that the values/beliefs that drive the family business in Ukraine diverge significantly from the average values/beliefs of professional managers in Ukraine. The literature already connects family-firms to different goal-sets which lead to different strategies. The results of this study allow us to connect specific differences in Ukrainian family-firm cultural values and beliefs to those findings. These results allow us to begin to profile Ukrainian family business in terms of basic cultural attributes might give these family businesses a competitive advantage. Differences between Ukrainian family firm scores and Ukrainian professional management scores were significant in five out of seven constructs.

Power Distance is defined as the "extent to which the less powerful members of institutions and organizations within a society expect and accept that power is distributed unequally" (Hofstede, 2001) and is related to the degree of autocratic leadership that is preferred. Family firms in Ukraine scored significantly lower than professional Ukrainian managers.

The results fit well with evidence for Russia reported by Hofstede (2001) which indicates that Slavic culture scores high on Power Distance. The literature is mixed concerning the family versus professional aspect of this construct, with some studies indicating that family firms might score higher on the Power Distance dimension (Kets de Vries 1996). On the other hand, Hofstede found that the Power Distance measurement would be lower in groups with higher education, class, or occupational status (Hofstede 1991). Members of family-firms may have a special social status and class which in many nations is higher than employees, no matter how professional. Our results support the idea that lower Power Distance could be a family-business competitive advantage.

Masculinity/Femininity scores should be lower in cultures that have more tender values with a greater concern with quality of life and other welfare issues (Hofstede, 2001). Masculinity scores for Ukrainian family firms were on the lower side of the scale, while the difference between family and non-family scores in Ukraine was not significant. Because altruistic values influence family businesses it was expected that members of family-firms would be more concerned with welfare and quality of life issues (more Feminine) than would non-family professionals. The lack of significant results in Ukraine could be due to the national culture being extremely low on the Masculine score (high in Femininity) as a whole. Russia (which can be considered a proxy for Ukraine) has been measured to be one of the lowest scoring nations on this construct. It is likely that the values of low Masculinity (high femininity) are universal within Ukraine. Further research is needed.

Social Cynicism is the belief that manipulation is effective in getting ahead of others (Leung and Bond 2004). Family-firm literature leads to the expectation that family-firm members would score relatively low on Social Cynicism. Ukraine did not align with the literature. Both Ukraine family-firms and bank managers scored high on this scale which may reflect the state of Ukrainian society after 70 years of communist government and a corrupt bureaucracy which still impacts all business activity. Cynicism towards business and government runs deep in Ukraine, where any successful business is regarded with the suspicion of being a criminal enterprise. Ukraine's family firms also scored even higher than did Ukrainian professional managers. Results for this construct may reflect the more difficult position small independent businesses have, relative to the safer more stable careers professional bank managers' experience. It is the business owner who may have a more difficult time in personally dealing with the pervasive corruption at all levels of Ukrainian society.

Social Flexibility measures the contradictory nature of social behavior, a belief in the lack of rigid rules, and the existence of multiple solutions to a problem (Leung and Bond 2004). Ukraine measured high on this construct, with Ukrainian family firms scoring significantly higher than professional managers. The high Ukrainian score may again reflect the nature of generations living under communism and corruption. The differences between Ukrainian family and professional scores are consistent with the family-firm literature that concerns the superior flexibility and survivability of family-firms over non-family firms. Our results suggest that greater Social Flexibility is another possible source of family-firm competitive advantage.

Reward for Application is the degree of belief that trying hard and being persistent will pay-off (Leung and Bond 2004). Family firm literature leads to the expectation that family firm members will score relatively high on Reward for Application compared with professionals. Ukraine family firm scored high although not significantly higher than those of Ukrainian professionals. Thus this construct profiles Ukraine as a nation rather than Ukrainian family firms alone.

Spirituality is the degree of belief in the supernatural or religious factors of existence (Leung and Bond 2004). Ukraine measured high on this construct, with Ukrainian family firms scoring significantly higher than Ukrainian professional managers. The difference between family and professional scores is consistent with family-firm literature and it was expected that family firm members would score relatively high on Spirituality.

Fate Control is the degree of belief in whether events can be controlled (Leung and Bond 2004). It was expected that family firm members will score relatively low on Fate Control. Ukrainian family firms scored high, and significantly higher than did Ukrainian professional managers. The results indicate that Ukrainian family firm members respond in a passive way to events and may have a low satisfaction towards life in general. Results comparing family with professionals indicate that Ukrainian professionals may be more satisfied and secure in their positions than are family firm members. Again, as in previous findings, this may be related to the current state of Ukrainian society as it emerges from its Soviet past. Whereas business ownership in the West may be related to financial independence and security, in Ukraine a professional position seems to engender greater feelings of security.

8. Conclusion and Implications

This study is the first to provide details of the cultural values and beliefs of Ukrainian family firms. Family-businesses may be seen as both a class and an occupational category and the fundamental value and belief cultural traits of family-firms can be quantitatively measured and compared. These cultural measurements illustrate the distinctiveness of family-firms and can inform our understanding of the uniqueness of family-firms in areas such as goal-setting, strategy, and competitive advantage.

That this study can bring out such fundamental cultural differences, between family and non-family management, is a testament to the likelihood that traditional management research into professionally managed, widely-held firms may not apply equally to both types of firms. Differences as fundamental as the ones found in this study imply a host of other possible differences as well.

This study is limited by being confined to one country. Further study of family business culture across more countries will deepen our understanding of the distinctiveness of family firms both within their home country and in comparison with family firms across nations. It may be possible, with study in a larger number of countries, to find universal, or near-universal, attributes of family businesses that tend to give this business form its culture-based advantages.

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