Employer branding and psychological contract in family and non-family firms

Employer branding e contrato psicológico em empresas familiares e não familiares

Employer branding y contrato psicológico en empresas familiares y no familiares

Duarte Pimentel
Instituto Superior de Psicologia Aplicada Centro de Investigação William James, Lisboa, Portugal and TERINOV – Parque de Ciência e Tecnologia da Ilha Terceira, Angra do Heroísmo, Portugal

Pedro Almeida
Instituto Superior de Psicologia Aplicada Centro de Intervenção, Lisboa, Portugal

Pedro Marques-Quinteiro
Instituto Superior de Psicologia Aplicada Centro de Investigação William James, Lisboa, Portugal, and

Marta Sousa
Instituto Superior de Psicologia Aplicada, Lisboa, Portugal

Abstract

Purpose – The purpose of this paper is to assess differences between employees of family and non-family firms regarding their perceptions of employer branding and psychological contract levels. Moreover, focusing on family firms, the authors assess the relation between the employees’ perceptions of employer branding and the psychological contract levels.

Design/methodology/approach – The empirical evidence is provided by a sample of 165 Portuguese employees, 76 employees of family firms and 89 non-family firms’ employees, who responded to a

The authors would like to thank Maria Inês Borba for her helpful advice and insights.
questionnaire that included employer branding and psychological contract measures. All respondents study in small and medium-sized private companies.

Findings – The results confirmed the research hypotheses, suggesting that employees of family companies show higher perceptions of employer branding and psychological contract levels than employees of non-family companies. Results also reveal that the perceptions of employer branding are positively related to the psychological contract levels of the family firm’s employees.

Originality/value – This paper aims to contribute to the literature by addressing two contemporary organizational aspects yet under-addressed in the comparison between family and non-family firms while pursuing to offer insights on the relationship between the perceptions of employer branding and levels of the psychological contract of employees working in family firms.

Keywords Family business, Psychological contract, Employer branding

Paper type Research paper
Originalidad/valor – Este artículo tiene como objetivo contribuir a la literatura abordando dos aspectos organizativos contemporáneos, aún poco abordados en la comparación entre empresas familiares y no familiares. Al mismo tiempo, este artículo busca ofrecer ideas sobre la relación entre las prácticas de employer branding y los niveles de contrato psicológico de los empleados que trabajan en empresas familiares.

Palabras clave: – Empresas familiares, Employer branding, Contrato psicológico

Tipo de manuscrito – Artigo de pesquisa

1. Introduction

In an increasingly global and competitive world, it is essential for companies to create a brand that is recognized for positive reasons, not only for its products or services but also for its culture and dynamics, that allows to attract and retain the talent necessary for the organizational success (Backhaus and Tikoo, 2004). This is particularly important for family businesses, given their exposure to the shortages on the labor market (Collins and Kanar, 2014), as most of them rely on non-family employees to thrive and survive (Pimentel et al., 2018). These businesses represent over two-thirds of all private companies, using more than 60% of the global workforce (Gómez-Meija et al., 2018; Neckebrouck et al., 2018). Given the importance of family businesses as actors and agents of socioeconomic development, it is not surprising that, in recent decades, they have received increasing attention from the scientific community (Sageder et al., 2018).

To date researchers have been dedicated to the identification and clarification of aspects, behaviors and processes that differ between family and non-family businesses, for example, ownership (Villalonga and Amit, 2006; Pimentel et al., 2017a), administration (Zellweger and Astrachan, 2008; Pimentel, 2016), leadership (Pérez-González, 2006), career development (Schröder et al., 2011), job satisfaction (Pimentel, 2018), organizational reputation (Deephouse and Jaskiewicz, 2013), organizational justice (Pimentel et al., 2020) or decision-making styles (Pimentel et al., 2018). However, there are countless important organizational aspects yet to be addressed and explored, not only in the comparison between these two organizational forms but also in improving our understanding of key aspects and processes in family businesses, as is the case of the relationship between employer branding and the psychological contract levels of employees.

The literature on topics related to human resources management in the context of family businesses is still relatively scarce (Combs et al., 2018), the few existing studies support the idea that family businesses differ substantially from non-family businesses in the way how they understand and manage human capital (Griffeth et al., 2006). Based on the principles of socioemotional wealth, i.e. the “affective endowments” of the owning family which derives from the family’s controlling position in a particular firm (Berrone et al., 2012), this study aims to fill this gap in the literature, contributing to the knowledge on human capital management in family businesses by as follows: comparing the perceptions of employer branding and the psychological contract levels of employees from family and non-family companies and understand the relationship between the perceptions of employer branding and the psychological contract levels of family firms’ employees.

The present study intends to bring insights to variables that remain under-addressed in the comparison between family and non-family companies (i.e. employer branding and psychological contract), as well as in the search for evidence to support the relationship of employer branding on the psychological contract levels of family firms’ employees.

This paper is structured as follows. First, we introduce the theoretical foundations of the main concepts and variables addressed and theoretically derive our hypotheses. Second, we present the sample and the methods used. Third, we present the empirical findings. Fourth, we delve into a discussion of the obtained results. We then discuss the limitations of the study, suggest avenues for future research and present our final conclusions.
2. Theoretical foundations

2.1 Employer branding

The concept of employer brand was first described by Ambler and Barrow (1996, p. 187) as the “package of functional, economic and psychological benefits provided by the employment and identified with the employing company.” For Barrow and Mosley (2011), the employer brand can be characterized as the reputation of an organization as an employer and its value proposition for its employees.

As suggested by Sivertzen et al. (2013), the importance attributed to the brand and its reputation is already well-established in the consumer market, but it has also been gaining importance in the job market, mainly in the recruitment, talent attraction and retention and employer brand processes. Thus, employer branding emerged upon the attempt to apply traditional marketing techniques of branding to the area of human capital management (Backhaus and Tikoo, 2004).

Several authors described employer branding as a sum of corporate identity and reputation that influences an individual’s perception of a particular organization (Edwards, 2010). Over time the concept has evolved from a simple definition of the aspects that an organization offers, to the process of finding what makes the organization unique. Similarly, Minchington (2005) described employer branding as a process of creating an idea of a “great place to work,” suggesting that it should not only be about satisfying the needs of future and current employees but also about creating a pleasant, encouraging environment, making the organization perceived as a desirable place to work.

Prior research found that the employer branding process involves the following three stages (Lievens, 2007): the design of a compelling and unique employer value proposition, i.e. defining the attributes or benefits to be offered to prospective and actual employees; the formal communication of the defined value proposition; and the implementation of the promises made in the value proposition, in terms of the attraction attributes.

Following this reasoning, it is possible to argue that employer branding relies on brand equity theories, thus focusing on people’s perceptions and beliefs concerning products, services and brands. This influences people’s preference hierarchies (Collins and Stevens, 2002), increasing the likelihood of differentiation from competitors. Cable and Turban’s (2001) study proposed that brand equity principles can be extrapolated to the attraction and recruitment processes, where the choice among employers will be made based on the applicants’ attributes preferences. Therefore, employer branding strategies and activities contribute to the organization’s attractiveness to the extent that they create and reinforce the positive aspects of the company as an employer (Collins and Kanar, 2014). In addition, it is not only about recruitment because “where traditional recruitment strategies are short-term, reactive and subject to job openings, employment branding is a long-term strategy designed to maintain a steady flow of skills in the organization” (Srivastava and Bhatnagar, 2010, p. 26). The premise supporting employer branding strength and value results from the benefits achieved from a strong brand image as follows: differentiation and loyalty. The brand should be able to differentiate, create loyalty, satisfy and establish an emotional bond with potential candidates (Davies, 2008). Barrow and Mosley (2011) concluded that employer branding could bring additional benefits to the organization. Besides differentiation and loyalty, employer branding provides a rationale to simplify management and to establish and focus on priorities, increasing productivity, satisfaction, motivation and involvement of employees with the company. It also facilitates the recruitment process by ensuring a continued flow of adequate candidates.

Cooper (2008) stated that the relationship between employees and the employer provides a series of exchanges of reciprocal benefits. These benefits can be translated through
activities useful for the development of employees (functional aspect), material or monetary rewards (economic aspect), as well as feelings of belonging and purpose (psychological aspect). Allen et al. (2010) concluded that employer branding increases employee morale, satisfaction and commitment leading to a higher retention rate. In this sense, employees who are satisfied to work for a certain organization prove to be good ambassadors, praising the company and recommending it to family and friends (Holbeche and Matthews, 2012). In the same line, Tanwar and Prasad (2016, 2017) suggest that by incorporating good work–life benefits, developing a healthy work environment, adopting corporate social responsibility activities and providing good training and development opportunities to employees, an organization can develop a strong employer brand. Thus, being able to attract and retain a talented workforce.

Considering the hyper-competitiveness of today’s job market, where people are faced with endless choices, brands stand out as one of the great differentiating factors for organizations. Through brands, it is possible to transmit valuable information that contributes to the decision-making about a product, service or about the organization itself. In this sense, both potential candidates and current employees are constantly faced with several choices, including accepting a professional opportunity in a family or in a non-family business. The distinction between these two types of companies can also be perceived in terms of the image that they transmit as employers, influencing the individual candidates’ perceptions and preferences.

Several studies with samples of recent graduates (Covin, 1994; Hauswald et al., 2016) reveal that family companies, when compared with their non-family counterparts, are perceived as being fairer and genuinely concerned with their employees well-being. However, other studies suggest that family companies are often perceived as less professional, profitable and associated with nepotism, conflicts and having limited opportunities for career progression (Chrisman et al., 2013). Despite these less positive aspects, the preference for working in these companies when compared to non-family companies tends to be superior (Block et al., 2016).

As previously mentioned, employer branding is an essential factor not only in attracting but also in retaining talent. This notion becomes particularly relevant for family businesses, as there is a strong tendency for family managers to seek a job candidate within family ranks first and, in most cases, the human capital within the family is soon depleted, reinforcing the need for family businesses heavily rely on non-family talent to perform and thrive (Pimentel, 2018). Although there are several studies on employer branding across different contexts (Eger et al., 2019), the literature regarding family businesses is practically non-existent. As an attempt to contribute to the literature and based on parallel findings, we suggest that as follows:

\[H1.\] Family firms’ employees show higher perceptions of employer branding than non-family firms’ employees.

2.2 Psychological contract
First proposed by Argyris (1960), the concept of psychological contract refers to the set of values, obligations and mutual aspirations in the relationship between the employee and the employer, which go beyond the written and formal employment contract. The psychological contract concept has been extensively addressed in the organizational literature, having emerged several definitions from it (Solinger et al., 2016). However, the definition considered as the most consensual in the literature is the one by Rousseau (1989), suggesting that psychological contract can be defined as “an employee’s beliefs concerning the terms and
conditions of a reciprocal exchange agreement between that focal person and another party” (Rousseau, 1989, p. 123).

Whether or not it is their intention, organizations send messages to employees through words, actions and signals, which can be interpreted as promises (Rousseau, 1998). Based on Guzzo and Noonan (1994), most of these messages are transmitted by the organization’s human resource policies and their interpretation varies depending on the personal and professional interests of the employees.

Although the psychological contract is not in a formal and written agreement it can be considered to play an important role in the relationship between the employee and the organization, as it acts as a determinant in the behavior of the employee. Therefore, this type of contract assumes three main functions as follows: reduces employee’s perceptions of insecurity; guides and conducts the employee’s behavior in the organization; and promotes in the employee a feeling of influence on the organization.

Through these functions, the psychological contract fills the gap that may exist concerning the formal employment contract (Rousseau, 1998). Thus, it becomes possible to state that, regarding perceptions of insecurity, the psychological contract gives employees a feeling of security, as they believe they have an agreement with the organization. The psychological contract guides employees’ behavior, as it adjusts their behavior across the obligations they have toward the organization and those that the organization has toward them. Finally, the psychological contract promotes in the employees a feeling of influence on what happens to them in the organization, given that they feel free to choose whether to carry out their obligations (Costa and Neves, 2017).

Rousseau (1989) conceptualizes the psychological contract in two forms, defined by the type of relationship perceived to predominate between employee and employer as follows: relational or transactional. A relational-type employee-employer relationship can engender feelings of affective involvement or attachment in the employee and can commit the employer to provide more than purely remunerative support to the individual with investments such as training, personal and career development and provision of job security. In contrast, the transactional contract denotes an attitude of “money comes first” as follows: employees are more concerned with remuneration and personal benefit than with being good “organizational citizens” or “going the extra mile.” This type of contract may also include employees bending organizational rules to meet personal ends.

As content by the same author, the formation of the psychological contract integrates two factors as follows: individual and organizational. Individual factors encompass the entire process of interpreting organizational messages and individual predispositions. Organizational factors involve social cues (i.e. which relate to information transmitted by colleagues or workgroups) and organizational messages (i.e. which are directly from the organization and which consist of communicating promises). Together, these factors interact with each other in the formation of the psychological contract.

Considering that the psychological contract is based on a relationship established between two parties (i.e. the employee and the organization), it is expected that each of them will develop their own perception about the mutual obligations that define and mediate the relationship (Robinson et al., 1994). Following this rationale, it is expected that when the expectations of both parties are met, there will be productive behavior and employees will feel more satisfied and committed. However, when this is not the case and relationships are weakened or broken, there is a risk of violating the psychological contract (Kraak, et al., 2017). This violation results from the employee’s perception that the organization has failed to fulfill its obligations. A mismatch between employees’ expectations, from growth opportunities to purpose-driven work and the experience provided by the employer often
leads to disappointment, which might reflect on the employee’s performance or even on the turnover intent (Costa and Neves, 2017).

According to De Ruiter (2017), psychological contracts are largely reliant on promises between the employer and employee, with trust being the ground for the social exchange. A breach in the psychological contract occurs if employees perceive that their firm or its agents, have failed to deliver on what they perceive was promised or vice versa. Employees or employers who perceive a breach are more likely to respond negatively as it may oftentimes result in an immediate response of mistrust from the other side. Responses may occur in the form of reduced loyalty, commitment and organizational citizenship behaviors, translating into significant consequences for the success of the organization. In contrast, if the expectations are met, the psychological contract boosts the organization’s image among employees, resulting in a reduction of turnover rates, increased performance and employee satisfaction (Tumasjan et al., 2020), which allows the organization to position itself as an attractive place to work (Casimiro and Chambel, 2014; Dabirian et al., 2019).

The strong and enduring relationships in family firms result in situations where employees experience dual connections to the family and to the firm, creating one social exchange relationship with the family itself and another with the firm (Madden et al., 2017) which can contribute to reinforcing the psychological contract experienced by family firms’ employees. Based on the notion that family firms have a strong willingness to respect and keep the obligations and promises made to the employees, allied with the principles of socioemotional wealth (Gómez-Mejía et al., 2007), we propose that employees working in family companies show higher levels of psychological contract than employees of non-family companies. Thus, our second hypothesis suggests that as follows:

**H2.** Family firms’ employees show higher psychological contract levels than non-family firms’ employees.

Miles and Mangold (2005) contend that the psychological contract assumes a predictive role in the construction of employees’ employer branding perceptions, as the latter is formed based on the messages that employees receive from the employer. As previously argued, if employees feel that their psychological contract has been breached, they may develop negative feelings and behavior toward the organization, transmitting a negative image to potential employees and even customers (Miles and Mangold, 2005).

According to Lievens and Slaughter (2016), the perceptions of employer branding are driven by the degree of internalization of the organization’s image that employees have and by the motivation that they have in projecting that image to current and future colleagues. This internalization happens when employees feel high levels of trust in the organization in which they work.

Shore and Tetrick (1994) suggested that the type of psychological contract that the employee forms (i.e. relational or transactional) can be influenced, as the recruitment process. When a candidate is involved in a recruitment process, the employer and the candidate exchange and share explicit and implicit messages about the eventual employment relationship. For family businesses, especially for small and medium-sized companies, the recruitment process can be overly expensive both in time and money. Thus, having a recruitment process with realistic expectations of the employment relationship can decrease recruitment costs and increase the opportunity for the future employee to form a psychological contract aligned with the employer’s expectations. Similarly, according to Ruchika and Prasad (2019), employer branding has a great influence on the formation of the psychological contract, given that the basis of this contract is formed through the messages and expectations that employees receive, as the first interaction. Saxena (2019) also suggests
that employer branding significantly influences on the expectations and the psychological contract of the employee. Thus, it is possible to conclude that both concepts are strongly-related, as the image and reputation of the organization (i.e. positive vs negative) can influence the levels of compliance with the psychological contract (i.e. compliance vs breach) (Biswas and Suar, 2016; Ruchika and Prasad, 2019). Although the literature supports this relationship, it has not yet been empirically tested for the family business context. Thus, our third hypothesis suggests that as follows:

\[ H3. \] In family firms, the employees’ perceptions of employer branding are positively related to the psychological contract levels.

3. Research methods

3.1 Sample and data collection

There is a wide variety of approaches that have been used to operationally define family businesses (Gómez-Mejía et al., 2007; Rutherford et al., 2008). In this study, the criterion of ownership and management control (Chua et al., 1999) was adapted to arrive at an operational definition. Thus, a company is classified as a family business if at least 75% of the shares belong to the family and if the family is solely responsible for the management of the company. This operational definition ensures that the family is, de facto, responsible for the governance, control and management of the company (Pimentel, 2018; Pimentel et al., 2020). In Portugal, family firms are responsible for over 50% of all employment, 65% of gross domestic product and constitute more than 70% of the country’s private business sector (Portuguese Association of Family Business, 2020). According to Pimentel et al. (2017b), most Portuguese family firms operate in the retail sector, have less than 10 employees, have been in business for roughly 30 years and have a turnover of less than €500,000 per year. The employees show a strong sense of pride, belief and identity toward the firm and consider that the family has an important influence in the business.

To collect data on perceptions of employer branding and psychological contract levels, a cross-sectional design was used. According to Spector (2019), the use of this type of research design is appropriate when researchers intend to investigate poorly studied topics such as the comparation between employer branding and the psychological contract levels of employees of family and non-family companies. Furthermore, the use of these types of designs is particularly efficient when compared to others such as experimental design or longitudinal design, being particularly relevant in situations where the probability of obtaining high levels of response (i.e. a large sample) is low (Spector, 2019). During the questionnaire development precautions were taken to control common method bias, namely, to improve scale items to eliminate ambiguity and to reduce social desirability bias in item wording (Podsakoff et al., 2003, 2012).

Participants completed an online questionnaire consisting of the employer branding scale developed by Tanwar and Prasad (2017), followed by the psychological contract scale proposed by Rousseau (2000). The data from family businesses were collected with the help of the Portuguese Association of Family Businesses, which kindly shared with the associate members the link to access the questionnaire. For the collection of data from non-family company employees, the access link to the questionnaire was released and shared via e-mail using a publicly available mailing list of Portuguese companies.

The final sample consists of 165 Portuguese employees. Of the 165 employees who participated in this study, 76 are employees of family businesses and 89 non-family businesses’ employees, 63.6% are female, with an average age of 35 years old and working in the company for 6.57 years. Most participants have completed a bachelor’s
degree (40.6%), followed by the ones with a master’s degree (38.1%) while 21.3% have a high school diploma. Regarding the formal employment contracts, 80 have a permanent contract, 58 a fixed-term contracts and 27 are on temporary work contracts. Out of the 76 employees of family businesses, 52% are women, with an average age of 37 years and working in the company for 7.8 years, most have a master’s degree (37.9%) and are on a permanent employment contract (65.2%). Regarding the 89 non-family companies’ employees, 71.7% are women, with an average age of 34 years old and working in the company for 5.8 years, most have a bachelor’s degree (48.5%) and a fixed-term employment contract (38.4%). The data were collected between February and May 2019 and all respondents are employees of privately-owned small and medium-sized companies with no management responsibilities.

3.2 Measures

3.2.1 Employer branding. The perceptions of employer branding were assessed using the scale originally developed by Tanwar and Prasad (2017). The instrument is composed of 23 items considering 5 dimensions: healthy work atmosphere (e.g. “My organization offers opportunities to enjoy a group atmosphere”); training and development (e.g. “My organization invests heavily in training and development of its employees”); work-life balance (e.g. “My organization offers the opportunity to work from home”); ethics and corporate social responsibility (e.g. “My organization has the fair attitude toward employees”); compensation and benefits (e.g. “In general, the salary offered by my organization is high”). The 23 items are classified on a five-point rating scale ranging from 1 – “Strongly disagree” to 5 – “Strongly Agree.” The original scale was translated into Portuguese following the back-translation method (Beaton et al., 2000). The translation to Portuguese was carried out by two experts in the areas of management and organizational behavior, ensuring idiomatic, semantic and conceptual equivalence. These translations resulted in the Portuguese version of the scale. An independent translator has then translated the scale back into English. Finally, two professionals who specialized in employer branding evaluated the quality of the translation. The intrarater agreement analysis revealed a substantial agreement level ($\kappa = 0.646, p < 0.05$). Subsequently, to validate the understanding of the items and the adequacy of the scale, a pre-test was carried out with 12 participants, 6 family businesses’ employees and 6 employees’ non-family businesses. Cronbach’s alpha was computed for reliability and its value was found to be 0.93. Confirmatory Factor Analysis was performed, revealing a unidimensional factorial structure. The results indicate an acceptable model fit ($\chi^2$/df = 2.03; Tucker–Lewis index (TLI) = 0.91; comparative fit index (CFI) = 0.90; root mean square error of approximation (RMSEA) = 0.09).

3.2.2 Psychological contract. The psychological contract levels were measured using the Portuguese version (Chambel and Alcover, 2011) of the Psychological Contract Inventory, developed by Rousseau (2000). This choice increases the comparability of our findings, given that most of the empirical research has used this approach (Schreuder et al., 2017). The questionnaire consists of a single-dimensional scale, composed of 11 items (e.g. “Make decisions with my interests in mind”; “Support me to attain the highest possible levels of performance”), in which respondents indicate their degree of agreement with the statements on a five-point Likert scale, ranging from 1 – “Much less than promised” to 5 – “Much more than promised.” Cronbach’s alpha was calculated and its value was found to be 0.95. Confirmatory Factor Analysis was performed and the results indicate an acceptable model fit ($\chi^2$/df = 2.26; TLI = 0.95; CFI = 0.96; RMSEA = 0.09).
4. Results

Table 1 presents the mean and standard deviation of the demographics and variables used, as well as the correlation coefficients between them. It is observed that the age of the employees has a negative correlation with the employer branding levels ($r = -0.158; p = 0.043$) and is also negatively correlated with the psychological contract levels ($r = -0.182; p = 0.019$). Moreover, it was possible to confirm a strong positive correlation between employer branding and the psychological contract levels ($r = 0.726; p < 0.001$).

To test our first hypothesis means comparison and $t$-student test for independent samples were used (Table 2). Results show that employees of family firms show higher perceptions of employer branding ($M = 3.37, SD = 0.64$) than employees of non-family companies ($M = 3.10, SD = 0.87$), $t(161.579) = 1.46$, $p = 0.014$, $d = 0.35$.

The results for our second hypothesis (Table 3) support those employees of family firms ($M = 3.12, SD = 0.66$) show higher psychological contract levels than non-family firms’ employees ($M = 2.84, SD = 0.75$), $t(163) = 2.46$, $p = 0.015$, $d = 0.40$.

As to $H3$, suggesting that, in family firms, the employees’ employer branding perceptions are positively related to the psychological contract levels. Regression results (Table 4) support that the employer branding perceptions have a significant and positive

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>Age</th>
<th>Seniority</th>
<th>Employment contract type</th>
<th>Education level</th>
<th>Employer branding</th>
</tr>
</thead>
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<td>Age</td>
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<td>0.79</td>
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<tr>
<td>Psychological contract</td>
<td>2.95</td>
<td>0.73</td>
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**Notes:** $N = 165$; $^*p < 0.05$; $^{**}p < 0.001$

<table>
<thead>
<tr>
<th>Variable</th>
<th>$t$</th>
<th>$p$</th>
<th>$df$</th>
<th>Family firms</th>
<th>Non-family firms</th>
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<tr>
<td>Employer branding</td>
<td>1.46</td>
<td>0.014$^*$</td>
<td>161.579</td>
<td>3.37 0.64</td>
<td>3.10 0.87</td>
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**Notes:** $N = 165$; $^*p < 0.05$

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<th>Variable</th>
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<tr>
<td>Psychological contract</td>
<td>2.46</td>
<td>0.015$^*$</td>
<td>163</td>
<td>3.12 0.66</td>
<td>2.84 0.75</td>
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</table>

**Notes:** $N = 165$; $^*p < 0.05$
relationship with the psychological contract levels of family business employees ($t = 10.49; 
\beta = 0.73; R^2 = 0.53; p < 0.001$). It is also noteworthy that based on this model, the employees’
employer branding perceptions explain 53% of the variability of the psychological contract
levels.

5. Discussion
The main aim of this study was to compare the perceptions of employer branding and the
psychological contract levels of employees working in family and non-family companies
and, also to assess, within family firms, the relationship between the perceptions of
employer branding and the psychological contract levels of family firms’ employees.

The results confirmed the first hypothesis that proposed that employees of family
companies show higher perceptions of employer branding than employees of non-family
companies. These results corroborate the initial idea that family businesses are perceived as
highly attractive by potential candidates, in particular, by recent graduates seeking a first
job (Covin, 1994). It is also possible to underpin these results on the fact that family
businesses have unique cultures and values. The organizational culture and the values
adopted by family businesses are generally characterized by a genuine concern with
employees and by the promotion of a pleasant working environment where employees are
esteemed and cherished, often being treated as part of the family (Azoury et al., 2013). These
aspects tend to be highly valued by individuals who are looking for their first professional
opportunity.

Furthermore, family businesses have the propensity to offer greater job stability, with a
limited number of dismissals and reorganizations, thus promoting a strong sense of loyalty
and belonging (Pimentel et al., 2017a). This stability results in an important part of family
businesses having a vision that puts personal and/or family needs and preferences above
the company’s financial performance (Getz and Carlsen, 2005; Gómez-Mejía et al., 2007). The
desire to maintain the status quo (Pimentel et al., 2017b; Salvato, 2004) makes family firms
prioritize the stability of the tenured staff, which for many employees is one of the most
important aspects of choosing the company.

Regarding our second hypothesis, results support the idea that employees of family
companies show higher levels of psychological contract when compared with
employees of non-family companies. These results can be explained by considering the
socioemotional wealth theory (Gómez-Mejía et al., 2007). The preservation of
socioemotional wealth involves a set of fundamental values shared between
individuals, generating and maintaining a mindset that encourages generosity and
solidarity among employees and consequently a greater union through strong cohesion.
As affective goals in family businesses are often preferred over financial goals (Berrone
et al., 2012; Hasenzagl et al., 2018), family businesses tend to prioritize the needs and
want of employees, therefore, fulfilling both transactional and relational dimensions of
the psychological contract.

<table>
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<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
<th>$R^2$</th>
<th>$F$</th>
<th>$\beta$</th>
<th>$t$</th>
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<td>Psychological contract</td>
<td>0.53</td>
<td>110.02**</td>
<td>0.73**</td>
<td>10.49**</td>
<td>&lt;0.001</td>
</tr>
</tbody>
</table>

Notes: $N = 76; ^* p < 0.001$
Moreover, by genuinely promoting employee involvement in the company decisions, thus increasing their satisfaction and motivation (Block et al., 2015), family businesses ensure that their employees are willing to align their interests with the company’s objectives (Samara and Arenas, 2017). As the needs and wants of employees are essential for the preservation of socioemotional wealth, family businesses seek to provide job security that employees would not otherwise have. These companies endeavor not to breach the psychological contracts, which could result in significant social costs. As a way of guaranteeing socioemotional wealth, these companies are willing to base their relations with employees on moral commitments, not seeing them only as a set of resources to maximize profits and achieve the desired performance (Stavrou et al., 2007).

Recently Gómez-Mejía et al. (2018, p. 996) suggested that “values contained in the family’s socioemotional wealth such as identification with the company or emotional attachment, may make family managers develop a more romantic view of the company’s employees and see them as stewards of the organization […] The controlling family may think that the rest of employees, even if not family members, will be as loyal as themselves to the company, and therefore, there will be no goal conflict between the employees, the family and ultimately the company.” This attention to the needs and wants of employees results in high compliance with the psychological contract, thus translating into higher levels of psychological contract by employees of family businesses when compared to employees of non-family businesses.

Regarding H3, which suggests that in family firms, the employees’ employer branding perceptions are positively related to the psychological contract levels, the results confirm this hypothesis showing that employer branding perceptions have a significant and positive relationship with the psychological contract levels. These results corroborate the notion that employer branding promotes and strengthens the psychological contract between employees and the organization, increasing and maximizing the sense of commitment and loyalty of employees (Miles and Mangold, 2005). These are robust results given that, in our model, employer branding manages to explain 53% of the variability of the employees’ levels of the psychological contract.

As aforementioned, the psychological contract is formed from messages that organizations transmit and that employees receive, creating a set of expectations regarding it. In agreement with Backhaus’s (2016) findings, this type of contract arises from the pre-negotiation of employment, when candidates obtain an initial notion of the reality of the organization that recruited them. Following this line of thought, one of the possible explanations for family businesses to show a strong relationship between these two variables is related to the fact that they have a unique management style based on socioemotional wealth principles. In other words, the fact that these companies are managed by members of the same family nucleus guarantees a loyal and strongly committed organizational structure, which tends to lead to greater unity between its people, harmony in their ways of acting, generating a high level of commitment in favor of the common goals. These characteristics of family businesses are transmitted in a clear and transparent manner to both future candidates and current employees, which may lead to lasting and consistent compliance with the psychological contract.

6. Limitations and future research
This study, as any empirical work, is subject to several limitations that represent avenues for future research.
The most obvious limitation in this study was that of small sample size, a limitation that can prevent a clear and generalized statement about our results. The number of participants was too small to adequately generalize beyond the context of this study. With a larger sample, including a greater number of culturally different participants, the results would certainly be more robust and clarifying. In addition to this aspect, it was not possible to obtain information on how many companies were surveyed, therefore becoming difficult to identify if there were participants who belong to the same company which may have influenced the results, as the perceptions of these participants could be similar.

Moreover, employees responded to the questionnaire in a single moment, through an online platform, so apart from the answers being subject to the momentary interpretations of the individuals, it was not possible to control several variables that could bias the results. Also, employees who participated in this study were all working in privately-owned small and medium-sized companies based in Portugal, which could lead to cultural bias, and therefore, limit the generalizability of the findings. Although careful extrapolation can be made to other Southern-European and some Latin-American countries (Hofstede and Hofstede, 2005) it would be pertinent to replicate this study in different geographical locations, countries and socio-economic contexts.

Finally, it should also be noted that none of the participants in this study have a management position in the organization, which does not allow us to provide an overall picture of the organizational reality. To provide a more complete approach on the topic, future studies should also include participants with formal management responsibilities.

Future research should also consider using the company type (i.e. family vs non-family) as a moderator when assessing the relationship and impact of the perceptions of employer branding in the levels of psychological contact, by doing this, future studies could provide a better understanding on the differences between the two contexts.

7. Theoretical and managerial implications
A better understanding of employer branding perceptions is of utmost importance, as it is through this process that organizations can differentiate and position themselves in the job market, ensuring the attraction and retention of the best talents, thus contributing to their success and growth. This same rationale also applies to the psychological contract, as it is a key aspect for the well-being of human capital and, consequently, for the performance of organizations. The present study contributed to the literature on human capital management in family businesses, by concluding that employees of family businesses show higher perceptions of employer branding and levels of psychological contract than employees of non-family companies. Focusing on family businesses, it was also possible to conclude that employer branding is positively related to the psychological contract, which can indicate that when employees positively perceive their company’s brand, they tend to show higher levels of compliance with their psychological contracts. These findings should contribute to owners and managers of small and medium-sized family companies to become more aware of the importance of investing in employer branding strategies. Moreover, our results shed some light on the importance of investing in the fulfillment of promises made by the organization to the employees, thus promoting a positive and productive relationship which leads to better organizational performance and results.

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Further reading

Corresponding author
Duarte Pimentel can be contacted at: duartengpimentel@gmail.com

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