

# The importance of employees' work satisfaction in family enterprises: a case study of the post-transition economy\*

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## Abstract

The main aim of this paper is to synthesize the research results based on the developed multidimensional model of activities in family companies aimed at achieving employee engagement. Furthermore, this research outlines the components that impact employee satisfaction in family businesses as drivers of employees' engagement on the job. The paper is based on primary research, including a survey of family companies in Slovenia. To test the hypotheses of the study, we used structural equation modeling (SEM). The results show that factors such as leadership, employee relations, and intergenerational synergy have a positive effect on employee satisfaction, which in turn leads to employee engagement. Our research results and recommendations can help owners/managers in family companies to contribute to a better work environment and to understand the impact of family businesses' leadership, employee relations, and intergenerational synergy on employee satisfaction engagement.

**Keywords:** Family enterprises, leadership, employee relations, intergenerational synergy, employees' satisfaction, employees' work engagement.

**JEL Codes:** J24, I19, C38

## 1. Introduction

The importance of family businesses is well recognized globally, and the International Family Enterprise Research Academy notes that between 80 % and 95 % of private companies worldwide are family businesses (Senegović et al. 2015). According to Ramadani and Hoy (2015), family businesses have a significant impact on economic development and growth. Research conducted by the Family Business Institute (2016) showed that 30 % of family businesses survive into the second generation, 12 % are still viable into the third generation, and only about 3 % operate into the fourth generation or beyond.

Family businesses play a more significant role in the new global economy than any other type of organization, even more so in post-transition countries. Research results show that post-socialist economies are not homogenous due to differences in cultural and social norms and historical, cultural, and educational backgrounds (Vadnjal/Ljubotina 2015), and are therefore facing different chal-

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lenges in terms of entrepreneurship and family businesses. Our research focuses on an empirical data set of family businesses in the post-transitional economy of Slovenia, a country that is among the most developed transition countries (Duh et al. 2009). Slovenia became an independent state after the collapse of the Socialist Federal Republic of Yugoslavia in 1991, which facilitated the transition from a socialist to a market economy and the development of a private entrepreneurial sector. As evidenced by prior research, private and family firms play an important role in transition economies (Duh 2003).

Definitions of family businesses differ depending on the criteria for classification used: it could be based on the level of family involvement (ownership and management, generation), or based on the economic systems (Duh et al. 2007a; Duh et al. 2007b). Regardless of the definition, there is no doubt that family businesses contribute a great deal to employment and economic growth (Astrachan/Shanker 2003). Huang et al. (2015) asserted that employees working for family businesses where founders of the company are actively involved in ownership and management are more satisfied than those working for non-family owned enterprises with senior leadership and CEOs, their career opportunities, the overall company, and work/life balance. However, this difference is no longer statistically significant when the family business is owned and managed by the successors of founders (Huang et al. 2015).

Ibrahim et al. (2003), emphasize that family businesses have lower survival rates. Most of the training activities in family businesses tend to be limited due to the perception that training is simply an expense and not an asset that enhances the future growth and development of the business (Ibrahim et al. 2003). In the same study, the primary reason for such a low survival rate was identified as the unique characteristics of family firms; specifically, the overlap between the family and the business systems of ownership and management. This dual identity creates some competitive advantage unique to these firms, but also imposes serious problems associated with the interaction between family members and the business such as conflict, succession issues, and general management problems (Ibrahim et al. 2001).

In our research, we develop a research model focusing on the importance of family businesses' employee workplace satisfaction. Our research, therefore, focuses on one of the important aspects of sustainable business profitability – satisfied and engaged employees. According to Lok and Crawford (2004), satisfied and engaged employees are the most important organizational resources, and the sustained profitability of the organization depends on these factors. Employees' job satisfaction enhances their motivation and performance and reduces absenteeism and turnover (Lok/Crawford 2004).

Employees' work environment is one of the key factors that determine the level of engagement. Studies by Garg et al. (2017) and Rich et al. (2010) show that

employee engagement is the result of various aspects of the workplace, such as effective human resource management. Satisfied and engaged employees deliver a better customer experience, which results in improved business outcomes and higher customer satisfaction (Mosadeghrad/Ferdosi, 2013). These findings are supported by a separate study by Azoury et al. (2013).

Organizational policies, procedures, structures, and systems impact the extent to which employees are engaged in an organization and help it achieve business goals. Important policies and procedures may include fair recruitment and selection, flex work policies, the attainability of work/life balance, and fair career progression practices (Anitha, 2014). Various other studies have emphasized the importance of organizational policies and procedures that best support flexible work arrangements that help employees achieve work/life balance; organizations that have such arrangements are more likely to have engaged employees (Woodruffe 2005; Rama Devi 2009).

In family-owned/managed firms, there is an appreciation that employees represent an invaluable competitive advantage and must be retained to maintain a successful business in the long term. So, family firms must look at the well-being and work engagement of their employees even more than non-family firms (Miller/LeBreton-Miller 2006). Families in business need to make sure that they have a committed workforce which also impacts the customer experience and satisfaction in terms of service, loyalty, and engagement (Azoury et al. 2013).

According to Palma-Ruiz et al. (2020), good leaders in family companies can create a positive climate with intelligent, loyal, satisfied, and engaged employees. To drive the success of companies, good leadership has been recognized as a key element (Maamari/Majdalani 2017). In addition to leadership, employee relationships and intergenerational synergy play an important role in family companies (Palma-Ruiz et al. 2020; Poutziouris et al. 2006). Poutziouris et al. (2006) and Kuruppuge and Gregar (2018) emphasize that employee relationships and intergenerational synergy in family companies have a positive impact on employees' job satisfaction and engagement. Anitha (2014) demonstrated that if employees have good relationships with their co-workers and employers, their work satisfaction increases, which further impacts employee engagement. Mosadeghrad and Ferdosi (2013) found that there is a significant bi-directional relationship between work satisfaction and employee engagement. There is not much theoretical knowledge nor studies that comprehensively and systematically contribute to the approaches for improving family companies' work environment, which has an impact on employees' job satisfaction and engagement in family companies. Therefore, with the present research resulting in the developed multidimensional model, we want to fill that gap for Slovenian family companies.

Our research aims to answer the following research questions:

1. Do business activities (leadership, employee relations, intergenerational synergy) of Slovenian family companies have an impact on their employees' job satisfaction?
2. Does employee satisfaction have a significant impact on employee engagement in Slovenian family companies?

The main purposes of this paper are:

3. to synthesize the research results based on the developed multidimensional model of activities in family companies aimed at the achievement of employee satisfaction, and
4. to identify the important factors affecting employee satisfaction and engagement in family businesses.

In Section 2, we present the theoretical background, followed by a description of the conceptual model and hypotheses tested (Section 3) and the research design and methodology used in our empirical research (Section 4). The results obtained are outlined in Section 5, followed by a discussion of the results and conclusion (Section 7).

## 2. Theoretical background

Research on entrepreneurship has been mostly decontextualized throughout history (Welter et al. 2019) and has often been framed as atomized, rational choice conceptualizations of entrepreneurs, i.e., the homo entrepreneurs model (Miranda et al. 2020). The entrepreneur depicted by this model is a lonely hero, under-emphasizing the role of collaboration and teaming (Chowdhury 2005). It is only recently that there have been efforts to provide a more situated or contextualized model of research (Welter 2011). For example, Welter (2011) and Welter et al. (2019) propose that researchers should contextualize entrepreneurial research by paying attention to the social, spatial, and institutional context.

Family businesses represent the largest proportion of businesses worldwide and their impact on the global economy is considered to be significant (Ratten et al. 2017). They are entrepreneurial which enhances commitment to business performance, long-term strategic plans, and corporate independence (Sraer et al. 2007). Family businesses have distinct characteristics due to their leadership structure (Kraus et al. 2011). Family businesses are classified based on the level of family involvement in the management of the business (Chrisman et al. 2003), and on the level of control exercised by family members (Brockhaus 2004). Family businesses contribute to economic development, particularly in terms of workforce and social engagement (Ramadani/Hoy 2015). According to Seaman et al. (2016) family, businesses are run by families coming from a variety of different socioeconomic backgrounds and cultures who have aspirations

for the future of both the business and the family. The family dynamics change over time, so there exist differences between businesses run by first (founder) generation managers and second or third-generation managers, highlighting the complexities of succession planning and execution (Ljubotina/Vadnjal 2017).

Developed market economies, unlike post-transitional ones, have a long history of family business ownership; therefore, family businesses in these two types of economies are significantly different (Astrachan et al. 2002). Furthermore, family businesses differ in the level of family involvement (Westhead/Cowling 1998; Herero 2017). While family businesses in developed economies have already gone through succession planning and execution (Getz/ Carlsen 2000), the share of family businesses run by the first (founding) generation is very high in transition and post-transition economies (Duh/Tominc 2007; Ljubotina/Vadnjal 2017).

A review of extant literature shows that a family business may have advantages in terms of innovation, flexibility, dual relationships, quick decision making, high employee commitment, and loyalty; in addition, the family name and spirit, family aspirations, shared values, and efficient communication play an essential role in every family business (Azoury et al. 2013). Companies, in general, can build strong employee engagement with the business if the mission and vision of the organization are supported by corporate values (Ghoshal/Bartlett 1994). Therefore, strong values can affect positively the sense of employee pride in belonging to the organization. Researches show that solid and strong values in family firms help the transition from contractual employees to committed organizational members; these values are more humane, emotional, and fundamental as compared to those of non-family run companies, where interactions with employees are more transactional and focused on outcomes (Azoury et al. 2013).

Many researchers identify generosity as an essential characteristic of family firms and agree that it can enhance employee loyalty and commitment. According to psychological research, employee well-being and satisfaction in these firms are significantly influenced by this generosity (Van Willigen 2000). These firms also value communication, which is very important in that it helps employees to express their needs, emotions, and concerns. Accordingly, a climate of trust emerges due to open lines of communication and associated collaboration (Bernhardt et al. 2000).

On the other hand, family businesses are prone to be affected by family conflict and intergenerational differences of opinion on vision and direction. Huang et al. (2015) found that employees are less satisfied in companies run by heirs (Huang et al. 2015), leading to lower levels of employee engagement (Kurupuge/Gregar 2017). Neckebrouck et al. (2018) demonstrated that family firms display higher financial stewardship, but lower organizational leadership and

labor productivity. Barth et al. (2005) and Chrisman et al. (2017) produced research that supports the claim that family firms are less productive than their non-family counterparts. From this point of view, family businesses need to be aware of and manage employee satisfaction and engagement, since, as discussed by Joo and Lee (2017), engaged employees tend to be more productive and produce quality work.

In the next sections, we conduct a literature review which is used to build our research model.

### *2.1. The importance of leadership in family-run companies*

Leadership as a management function is mostly related to human resources and social interaction. It is the process of influencing a group of people to achieve organizational goals (Skansi 2000). Abdulkarim (2013) argued that certain leadership styles create certain social climates that affect productivity. Maamari et al. (2017) posited that good leaders create a positive climate with intelligent, loyal, and engaged employees, and Mosadeghrad and Ferdosi (2013) and Chiok Foong Loke (2001) argued that employees' job satisfaction and engagement depend on management's leadership style. Good leaders illicit passion and commitment from others, connect employees to organizational goals, build and reinforce trust, and continuously recognize employees for their work (Seijts/Crim 2006).

Leadership and management succession are significant challenges for many family businesses (Bozer et al. 2017) and the inability of family businesses to provide competent family leadership is a significant issue (Phikiso/Tengeh 2017). Given the criticality of leadership succession and how prevalent such transitions are in post-transitional economies, this leadership problem becomes a significant research issue (Duh/Tominc 2007; Ljubotina/ Vadjnal 2017).

### *2.2. Employee relations in family companies*

Inevitably, problems arise between family members due to professional and personal issues, and therefore such conflicts uniquely impact family-owned enterprises (Keanon 2015), which in turn impacts the firm's employees and culture. Therefore, family members need to be cognizant of the impact of conflicts on business performance (Azoury et al. 2013) and ensure a positive employee experience. Employee relations, the broad business term used for this type of consideration, refers to the relationship that is shared between an organization and its employee base, where rapport and trust can have a direct effect on profits and successful business results (Mafabi 2015). Good employee relations lead to higher job satisfaction, motivation, and productivity. The benefits of good working relationships are far-reaching and include a higher level of innovation and creativity in the workplace as well as the ability to focus on opportunities

rather than spending energy trying to overcome the problems associated with poor work relationships. Good work relationships promote a high level of co-operation (Ford 2011). In family businesses, relations between employees can be particularly complex, mainly due to employed extended family members, especially those who work for a long time in the family business; the possible tensions that arise shape employees' preferences towards employment in family businesses (Kuruppu/Gregar 2018).

### *2.3. Importance of intergenerational synergy in the family company*

According to Naegele and Walker (2006) organizations (in general) that are aware of the importance of age diversity of their employees have a great advantage over others since they can best respond to faster and faster changes in the global environment. Authors also argue that age-diverse employees bring to such organizations different knowledge, experiences, opinions, values, and lifestyles. In addition, intergenerational learning contributes to the enhancement of intergenerational coexistence in the workplace, reduces the obstacles of discrimination, and solves the problem of the presence of negative stereotypes between generations (Naegele/ Walker 2006). According to Beazley et al. (2017), and Profili et al. (2017), organizations must focus on intergenerational synergy, maximize the positive effect of all generations, and combine their benefits; thus, they can gain the most and the best from each generation separately and all together. Intergenerational cooperation is successfully implemented through age-diverse teams and mentoring schemes among employees, which is reflected in the transfer of a large quantity of knowledge, experience, and continuous organizational learning (Beazley et al. 2017; Profili et al. 2017).

The importance of the intergenerational synergies maybe even more emphasized in family businesses, since many family businesses are characterized by the involvement of more than one generation in the ownership and management of a business. They also face problems associated with a transition plan from one generation to the next, which includes passing the legacy and family traditions on to the next generation (Zareie 2011). The successes of family businesses' transitions and the longevity of the family businesses depend on coherent planning, and therefore the intergenerational synergies in family companies are very important (Upton et al. 2001). Joint activities between generations can make the transfer of power more seamless and incorporate a new perspective from the younger generations (Tanikawa et al. 2017). This type of activity eliminations tension between generations provides a smooth transfer of leadership and leads to the survival of the business (Dana/Smymnios 2010). It is also important for the younger generations to learn about strategy, capital, property, succession, and inheritance management. Intergenerational synergies allow them to practice



leadership skills, conflict resolution, active listening, public speaking, training, and management (Zareie 2011).

#### *2.4. Importance of employee job satisfaction in family companies*

In family-owned enterprises, employees' job satisfaction tends to center around levels of work-family conflict, family cohesion, and family adaptability (Sieger et al. 2011). According to Block et al. (2013), family members employed at the family business have higher levels of job satisfaction relative to another firm. These findings can be explained by several factors, including the availability of more interesting work, greater skill utilization, greater autonomy, and increased work flexibility. Family members consider not only wages and nonpecuniary job characteristics, such as status and prestige, as determinants of job satisfaction but also derive utility from the fact that their work is performed within the context of their family firm. Thus, an additional source of utility exists for family employees relative to regular employees (Block et al. 2013).

Many family members grow up alongside their family businesses. Because the family and business systems experience a state of coevolution, family employees often develop an intrinsic feeling of responsibility and psychological ownership (Bernhard/O'Driscoll 2011), which may, in turn, lead to utility derived from work and, hence, job satisfaction (Sieger et al. 2011). Also, family employees identify strongly with their work, and this leads to higher levels of job satisfaction (Block et al. 2013).

#### *2.5. Work engagement in the family company*

Family businesses tend to have an organizational culture, where strongly defined mission, vision and strong values are present (Azoury et al. 2013), which is a strong determinant of employee engagement. Banihani et al. (2013) summarize that work engagement has positive consequences for both employees and organizations since engaged workers perform better than non-engaged workers. Bakker et al. (2011) and Schaufeli and Bakker (2004) argue that four reasons improve the performance of engaged: engaged workers experience positive emotions such as happiness, enthusiasm, and joys, they are healthier, they can create their job and personal resources, and they often transfer their engagement to others.

Moreover, unlike in non-family-owned firms, the value of humility is indispensable in family-owned firms. This value creates an excellent environment, rich in emotional and psychological energy, and influences the well-being and engagement of the employee. Family firms tend to help their employees achieve happiness whereas non-family firms mostly focus on employees' performance.



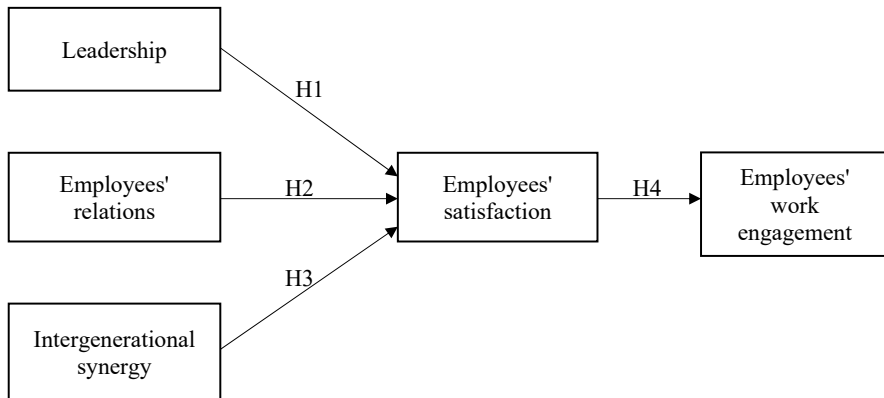
Engaged and committed employees contribute to improved customer experience and satisfaction (Bernhardt et al. 2000).

According to Zahra (2007), researchers bemoan the absence of good theory in the field of entrepreneurship or they do not pay adequate attention to the context of their research. Thus, this paper seeks to build the multidimensional model of employees' satisfaction in Slovenian family companies with three constructs leadership, employees' relations, and intergenerational synergy and their impact on employees' satisfaction, as well as to examine the impact of employees' satisfaction on employees' work engagement in Slovenian family companies. In this paper, we show the results of the first survey about approaches for improving family companies' work environment, which has an impact on employees' job satisfaction and engagement.

### 3. Conceptual model and hypotheses

From the theoretical review in previous chapters, we built a multidimensional model to analyze approaches for improving family companies' work environment (Figure 1), which has an impact on employees' job satisfaction and engagement.

**Figure 1: Conceptual model**



The importance of leadership in family-owned firms was discussed in detail in Section 2.1 of this paper. In a study by Sorenson (2000) of 59 family businesses, it was determined that effective leadership is positively related to both family and business outcomes, as well as to employee satisfaction and engagement. Therefore we formulate Hypothesis 1:

*H1: Leadership has a significant impact on the work satisfaction of employees in Slovenian family companies.*

According to Azoury (2013), family companies are differentiated by the value they place on communication, which is very important because it helps members to express their needs, emotions, and concerns. Accordingly, a climate of trust and collaboration emerges, leading to good interpersonal relationships. Motwani (2016) and Azoury (2013) found that good interpersonal relationships lead to higher work satisfaction in family companies. According to Armstrong (2000, 2014), strong employment relations and intergenerational synergies create a pleasant atmosphere within the work environment, which has a positive impact on employees' satisfaction and engagement. Therefore we formulate Hypotheses 2 and 3:

*H2: Employees' workplace relationships have a significant impact on employees' work satisfaction in family companies.*

*H3: Intergenerational synergy has a significant impact on employees' work satisfaction in family companies.*

Employee satisfaction is the combination of feelings (positive or negative) that employees have towards their work and workplace (Armstrong 2014). Jex and Britt (2008) found that high satisfaction leads to lower levels of absenteeism, improved mental and physical health, and a higher level of engagement. Mosadeghrad and Ferdosi (2013) found that there is a positive link between work satisfaction and work engagement (Mosadeghrad/Ferdosi 2013). Satisfied employees have higher levels of work engagement in all sizes of organizations (Auer Antoncic/Antoncic 2011). Hence, we proposed a hypothesis H4:

*H4: Employees' satisfaction has a significant impact on employees' work engagement in family companies.*

## 4. Methodology

### 4.1. Data and sample selection

We surveyed 83 Slovenian family companies in 2017. We used the definition of a family company developed by Duh et al. (2007a) and Duh et al. (2007b). The two criteria used were: (1) the (co)owner/manager perceives the enterprise to be a family firm, and (2) more than 50 % of ordinary voting shares are owned by family members, whether they be family by birth or marriage. Our criteria are also aligned with the definition developed by Westhead and Cowling (1998): the involvement of family members in the ownership and management of the firm, and their psychological commitment to the enterprise are critical. These criteria are also applicable in Slovenia and other post-transition countries).

30.1 % of survey participants were female and 69.9 % were male. 50.6 % of the respondents had completed a professional or university education, 31.3 % had

a Master's degree or Doctorate, 14.5 % had finished college, and the remaining 3.6 % had completed vocational training or high school. 51.9 % of companies were large enterprises, and 48.1 % were medium-sized firms.

Furthermore, we surveyed 2 employees from each organization, resulting in 166 employee responses. Of those employees that filled out our questionnaire, 42.8 % were female and 57.2 % were males. In the sample, 47.0 % of employees were between the ages of 18 and 49, and 53.0 were over 50 years old. These employees answered questions related to leadership, employee relations, satisfaction and engagement, and intergenerational synergy. To analyze the data, we took an average of two employees for each item, therefore there were 83 data by employees and 83 data by employers.

#### 4.2. Research instruments

Figure 1 summarizes the statements included in the questionnaire, describing the multidimensional variables of our research model. These variables were designed and tested in empirical research. The items for the leadership construct were identified leveraging authors Avery et al. (2007) and Rad and Yarmohammadian (2006), items for the employee relations construct – leveraging Gunnigle et al. (1998), items for the intergenerational synergy construct – leveraging Hanks and Icenogle (2001), items for the employee satisfaction construct – leveraging Hayday (2003), and items for the employee engagement construct – leveraging Robinson et al. (2004) and Gallup (2006). The respondents indicated their agreement to the listed statements using a 5-point Likert-type scale, where a rating of 1 indicated that they »completely disagree« with the statement and a rating of 5 – that they »completely agree.«

#### 4.3 Methodology

We used the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy ( $KMO \geq 0.5$ ) (Kaiser 1974) and Bartlett's test of sphericity ( $p < 0.05$ ) to establish whether the use of an exploratory factor analysis is reasonable. Fulfillment of criteria regarding factor loadings ( $\eta \geq 0.5$ ), commonalities of variables ( $h > 0.4$ ), and eigenvalues of factors ( $\lambda \geq 1.0$ ) were considered (Tabachnick/Fidell 2013). The quality of the measurement model was evaluated using the variance explained for a particular construct. We checked the reliability of measurements within the scope of inner consistency with Cronbach's alpha coefficient (Chronbach 1951). Churchill and Brown (2004, p. 337) outline that the indicators of highly reliable components should be highly connected and show that all measure the same latent component. The authors state that measurement reliability with a coefficient of  $\alpha \geq 0.80$  is exemplary, a coefficient in the interval  $0.70 \leq \alpha < 0.80$  is very good, in the interval  $0.60 \leq \alpha < 0.70$  – moderate, and if the coefficient  $\alpha < 0.60$ , it is barely acceptable. We also took into account the importance of

factor rotation, which aims to improve factor interpretability and achieve a more even factor variance distribution. We used the rectangular rotation Varimax, which ensures that the rotated factors are independent of each other, maximizes the variance of weight squares in every factor, and hence simplifies the structure by columns (Manly 2005). We saved the derived factor points and hence created new variables/factors used in the next step for data analysis using SEM. As part of the convergent validity, we examined the average variance extracted (AVE) and the composite reliability coefficients (CR), keeping in mind the related criteria:  $AVE > 0.5$ ,  $CR > 0.7$  (Hair et al. 2010), and  $CR > AVE$  (Byrne 2010). To check multicollinearity, we used variance inflation factors VIF ( $VIF < 5.0$ ) (Hair et al. 2010).

The quality of the measurement model was established using the variance explained by the model for a particular construct ( $R^2$ ) and the Stone-Geisser Q-squared coefficients. Thus, we examined the predictability value of the structural model. Acceptable predictive validity in connection with an endogenous latent variable is indicated by a Q-squared coefficient greater than zero ( $Q^2 > 0$ ) (Kock 2015; Tabachnick/Fidell 2013). To test the model, the following rules were also applied: average path coefficient (APC)  $p < 0.05$ , average R-square (ARS)  $p < 0.05$ , average adjusted R-square (AARS)  $p < 0.05$ , average block variance inflation factor (AVIF)  $< 5.0$ , average full collinearity VIF (AFVIF)  $< 5.0$ , goodness-of-fit (GoF)  $\geq 0.36$ , Simpson's paradox ratio (SPR)  $\geq 0.7$ , the R-squared contribution ratio (RSCR)  $\geq 0.9$ , statistical suppression ratio (SSR)  $\geq 0.7$ , and nonlinear causality direction ratio (NLBCD)  $\geq 0.7$  (Tabachnick/Fidell 2013; Kock 2015).

To test the hypotheses, we used the path coefficient associated with a causal link in the model ( $\beta$  or  $\gamma$ ), t-value, significance level ( $p < 0.05$ ), and indicator of Cohen's effect ( $f^2$ ) with 0.02, 0.15, and 0.35 indicating the small, medium, and large effect sizes (Tabachnick/Fidell 2013; Kock 2015). The Statistical Package for the Social Sciences (SPSS) and WarpPLS software was used for data analysis.

## 5. Results

In the following tables, we present the descriptive statistics results and psychometric properties of measured variables. Factors loadings (all factor loadings are significant at the 0.001 level) and commonalities of items for all constructs were higher than 0.70. The structure of constructs, therefore, remained unchanged. The results are presented in Table 1.

**Table 1. The descriptive statistics and psychometric properties of measured variables**

Model path	Factor loading	Variance explained	Commonalities	Mean	Std. Deviation
<b>Leadership</b>					
I have all the necessary information to perform my work.	0.861	82.368	0.742	4.00	0.855
I have everything I need to carry out my work tasks.	0.862		0.743	4.07	0.823
I have the possibility of independent thinking and decision-making in the workplace.	0.860		0.740	3.73	0.885
The owner of the company/manager takes care of good relationships between employees	0.933		0.870	3.55	1.027
The owner of the company/manager takes care of good relationships between employees and superiors.	0.910		0.828	3.82	1.014
The owner of the company/manager gives emphasis and takes care of motivation in the workplace of employees.	0.917		0.836	3.47	1.075
In the company, employees do not feel the presence of stereotypes that are based on age.	0.935		0.873	3.42	1.072
The owner of the company/manager takes care of the work satisfaction and well-being of employees.	0.946		0.896	3.33	1.211
In the company, we have the possibility of training and education.	0.890		0.792	3.57	1.002
<b>Employees' relations</b>					
The presence of age discrimination is not felt among employees.	0.903	86.904	0.816	3.77	0.979
In the company, we do not feel the presence of age stereotypes.	0.935		0.845	3.30	0.997
There is no competition, considering who does better work, among younger and older employees.	0.910		0.829	3.61	0.895
We cooperate very well with colleagues in the performance of our tasks.	0.951		0.867	3.89	0.937
Employees appreciate the work of our colleagues.	0.950		0.865	4.00	0.911
In case of conflict, we solve them together and for the common benefit.	0.917		0.841	3.64	0.995
In the company prevails mutual trust and cooperation.	0.950		0.864	3.92	0.978

Model path	Factor loading	Variance explained	Commonalities	Mean	Std. Deviation
<b>Intergenerational synergy</b>					
In the company, we emphasize the intergenerational synergy	0.957	92.148	0.863	4.08	0.890
Through intergenerational cooperation, we increase the innovation and creativity of our employees at work.	0.936		0.824	4.06	0.888
Through intergenerational cooperation, we enable that employees make quicker solutions and decisions	0.931		0.820	4.02	0.897
Through intergenerational cooperation, we allow the distribution of work tasks and with this, we thereby reduce the workload of employees.	0.923		0.809	4.01	0.858
Through intergenerational cooperation, we emphasize a better understanding of the different age profiles of the customer and their needs.	0.926		0.812	3.89	0.911
Through intergenerational cooperation, we exploit the benefits of age diversity of our employees.	0.933		0.821	4.07	0.894
<b>Employees' satisfaction</b>					
At my workplace, I am satisfied with working hours and the distribution of work obligations.	0.947	86.520	0.839	3.37	1.166
At my workplace, I am satisfied with flexible working hours and with flexible work.	0.964		0.856	3.24	1.154
In the company, I am satisfied with the balance between work and private life.	0.921		0.810	3.46	1.182
I am satisfied with the enabled self-regulation of the speed of work performed.	0.922		0.812	3.57	1.050
I am satisfied with the providing of job-sharing, thereby reducing the burden on the workplace.	0.926		0.818	3.61	1.022
I am satisfied with the interpersonal relationships in the company.	0.865		0.858	3.86	1.049
I am satisfied with the leadership in the company.	0.937		0.827	3.65	1.204
I am satisfied with intergenerational cooperation and, thus, the distribution of work.	0.932		0.824	3.61	1.057

Model path	Factor loading	Variance explained	Commonalities	Mean	Std. Deviation
<b>Employee work engagement</b>					
I do my work with passion.	0.939	87.159	0.834	3.48	1.183
I am engaged in the quality of my work.	0.892		0.781	4.11	0.870
I am engaged to achieve successful business results.	0.899		0.788	4.11	0.856
I feel the connection with the company in which I worked.	0.953		0.869	3.39	1.286
I am aware of the importance of innovation for our company and I am helping to develop the company.	0.928		0.825	3.95	0.936
I trust in my colleagues and the manager.	0.921		0.817	3.94	1.086
I feel that my work and job are important.	0.941		0.832	3.48	1.374
I am proud to be employed in this company.	0.958		0.868	3.55	1.281
I believe in the successful development and operation of our company.	0.951		0.863	3.96	0.917
I feel very good at my workplace.	0.947		0.846	3.36	1.303

Key quality assessment indicators of the research model are presented in Table 2.

**Table 2. Model fit and quality indicators**

Quality indicators	The criterion of quality indicators	Calculated values of indicators of model
Average path coefficient (APC)	$p < 0.05$	0.489, $p < 0.001$
Average R-squared (ARS)	$p < 0.05$	0.940, $p < 0.001$
Average adjusted R-squared (AARS)	$p < 0.05$	0.939, $p < 0.001$
Average block variance inflation factor (AVIF)	$AVIF < 5.0$	2.096
Average full collinearity VIF (AFVIF)	$AFVIF < 5.0$	2.204
Goodness-of-fit (GOF)	GoF $\geq 0.1$ (low) GoF $\geq 0.25$ (medium) GoF $\geq 0.36$ (high)	0.893
Sympson's paradox ratio (SPR)	$SPR \geq 0.7$	1.000
R-squared contribution ratio (RSCR)	$RSCR \geq 0.9$	1.000
Statistical suppression ratio (SSR)	$SSR \geq 0.7$	1.000
Nonlinear causality direction ratio (NLBCD)	$NLBCD \geq 0.7$	1.000



Table 2 shows that the indicators APC, ARS, AARS are statistically significant ( $p < 0.001$ ), the indicators AVIF and AFVIF are lower than 5.0 and are suitable. The goodness of fit (GOF) indicates how well the specified model reproduces the observed covariance matrix among the indicator items (Pandey 2016). According to Henseler et al. (2016), the overall GOF of the model should be the starting point of model assessment. If the model does not fit the data, the data contains more information than the model conveys. The obtained estimates may be meaningless, and the conclusions are drawn become questionable (Henseler et al. 2016). The GOF indicator shows the power of the underlying conceptual model (Kock 2015). A value lower than 0.1 suggests that the explanatory power of the model may be too low to be considered acceptable (Kock 2015). Also, Tenenhaus et al. (2005) emphasize that GOF is applied as an index for the complete model fit to verify that the model sufficiently explains the empirical data (Tenenhaus et al. 2005). The GOF values lie between 0 and 1, where values of 0.10 (small), 0.25 (medium), and 0.36 (large) indicate the global validation of the path model. A good model fit shows that a model is parsimonious and plausible (Henseler et al. 2016). The results of the GOF indicator show that the model is highly appropriate. The values of the SPR, RSCR, SSR and NLBCD indicators are higher than the prescribed values and are suitable. Table 3 summarizes the results of the AVE analysis and it can be seen that the AVE values are above 0.5.

**Table 3. Indicators of quality of research model**

Constructs	Cronbach's $\alpha$	CR	AVE	R <sup>2</sup>	Adj. R <sup>2</sup>	Q <sup>2</sup>	VIF
Leadership	0.978	0.981	0.824	(-)	(-)	(-)	1.954
Employee relations	0.978	0.982	0.869	(-)	(-)	(-)	1.762
Intergenerational synergy	0.954	0.964	0.816	(-)	(-)	(-)	1.815
Employee satisfaction	0.982	0.985	0.865	0.468	0.443	0.470	1.827
Employee work engagement	0.987	0.988	0.872	0.452	0.445	0.453	2.186

Notes: (-) values can not be calculated because it is a baseline construct

Table 3 summarizes the results, indicating that all values of the latent variables Q<sup>2</sup> coefficients are greater than zero. Adjusted R-squared coefficients are equivalent to R-squared coefficients, with the key difference that they correct for spurious increases in R-squared coefficients due to predictors that add no explanatory value in each latent variable block. Composite reliabilities (CR) for all five constructs are greater than 0.7 and average variance extracted (AVE) for all five constructs are greater than 0.5. As all CR values are higher than the AVE values, we confirmed convergent validity for all the constructs studied. The VIF

values ranged between 2.186 and 1.762 ( $VIF < 5.0$ ), providing confidence that the structural model results were not affected by collinearity.

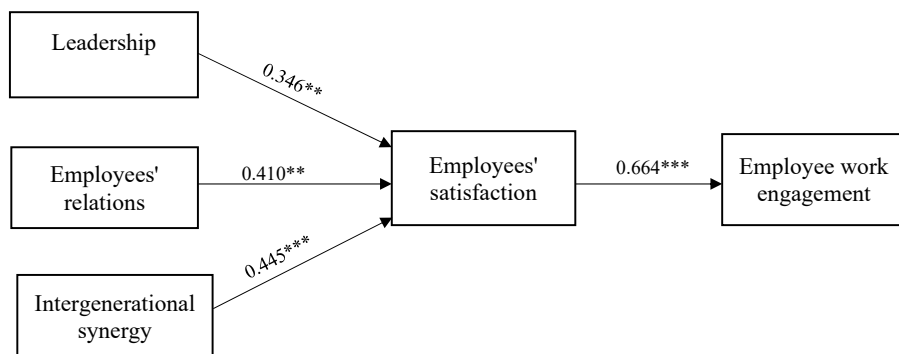
The results of SEM and structural coefficients of links of basic research model are presented in Table 4, and Figure 2 presents the conceptual model with results.

**Table 4. Standardized Path Coefficients for Proposed Model**

Hypothesized path	Path coefficient	Effect size ( $f^2$ )	Standard error
LE→ES	0.346**	0.236	0.102
ER→ES	0.410**	0.386	0.100
IS→ES	0.445***	0.428	0.096
ES→EWE	0.664***	0.421	0.082

Notes: \*\*\* $p < 0.001$ ; \*\* $p < 0.01$ ; LE – leadership; ER – employee relations; IS – intergenerational synergy; ES – employee satisfaction; EWE – employee work engagement

**Figure 2. The conceptual model with results**



The results in Table 4 show that leadership has a positive effect on employee satisfaction ( $\gamma_1$  LE→ES = 0.346,  $p < 0.01$ ) in family companies. The value of Cohen's coefficient ( $f^2 = 0.236$ ) is greater than 0.02 and shows that the effect of predictive latent variables is of medium strength. With the effect sizes, we can ascertain whether the effects indicated by path coefficients are small, medium, or large. The values usually recommended are 0.02, 0.15, and 0.35. Values below 0.02 suggest that effects are too weak to be considered relevant from a practical point of view, even when the corresponding  $p$  values are statistically significant (Kock 2015). Based on these results we confirm H1: Leadership has a significant impact on the work satisfaction of employees in Slovenian family companies. Furthermore, employee relations have a positive effect on employee satisfaction (ER→ES=0.410,  $p < 0.01$ ) in family companies. The value of Cohen's coefficient ( $f^2 = 0.386$ ) shows that the effect of predictive latent vari-

ables is large. Based on these results we confirm H2: Employees' workplace relationships have a significant impact on employees' work satisfaction in family companies. The results also show that intergenerational synergy has a positive effect on employee satisfaction ( $IS \rightarrow ES = 0.445$ ,  $p < 0.001$ ). The value of Cohen's coefficient ( $f^2 = 0.428$ ) shows that the effect of predictive latent variables is large. Based on these results we confirm H3: Intergenerational synergy has a significant impact on employees' work satisfaction in family companies.

The results in Table 4 also show that employee satisfaction has a positive effect on employee work engagement ( $ES \rightarrow EWE = 0.664$ ,  $p < 0.001$ ) in family companies. The value of Cohen's coefficient ( $f^2 = 0.421$ ) shows that the effect of predictive latent variables is large. Based on results we confirm H4: Employees' satisfaction has a significant impact on employees' work engagement in family companies.

## 6. Discussion and conclusion

Based on the results of our statistical model, we demonstrated that leadership, employee relations, and intergenerational synergy in family businesses have a positive effect on employee satisfaction in family companies and that employee satisfaction has a positive effect on employee engagement. Therefore, we confirmed our 4 hypotheses and answered the first research questions of whether leadership, employee relations, and intergenerational synergy have a significant impact on the work satisfaction of employees in Slovenian family companies. We also answered the second research question and confirmed that employee satisfaction has a significant impact on the engagement of employees in Slovenian family companies.

In family firms, employees' job satisfaction tends to center around levels of work-family conflict, family cohesion, and family adaptability (Sieger et al. 2011). When employees are satisfied with their jobs, they tend to perform better and be more engaged (Venter et al. 2013). If an employer does not have the knowledge and skill to run the family business consistently, the business is likely to fail (Westhead/Howorth 2006). Therefore, in this research, we highlight the importance of activities such as leadership, employee relations, intergenerational synergy in Slovenian family companies, and their impact on employees' job satisfaction in Slovenian family companies. We also highlight the importance of employee satisfaction and its positive impact on the work engagement of employees in Slovenian family companies.

Results show four important findings of our research (see Table 4 and Figure 1). First, family companies' leadership has a positive effect on employee satisfaction, which is in line with several previous findings (Mosadeghrad/Ferdosi 2013; Chiok Foong Loke 2001; Suriyankietkaew/Avery 2014). Second, employee relations have a positive effect on employee satisfaction, which is also in line

with several previous findings (Azoury et al. 2013; Ford 2011; Goswami et al. 2016; Anitha 2014). Third, intergenerational synergy has a positive effect on employee satisfaction in these companies, which is in line with several previous findings (Zareie 2011; Beazley et al. 2017). Fourth, employee satisfaction has a positive effect on employee engagement in family companies, which is in line with several previous findings (Mosadeghrad/Ferdosi 2013; Garg et al. 2017; Block et al. 2013).

Based on the results we found that the strongest correlation is between intergenerational synergy and employee satisfaction in family companies. Intergenerational synergy in family companies positively influences the results of age-diversified employees, especially when they have to solve difficult and complex tasks, since the diversity of employees' knowledge, competencies, and experience can be leveraged. There is a less pronounced influence of leadership on employee satisfaction, as the coefficient is lower compared to the other two constructs. The leadership structure in family companies is often more complex than in other organizations. For example, a senior family member who has no formal role in the company's board or management may still exert significant influence because of the respect and trust he or she commands with family members. This diffusion of authority can complicate decisions about the company's direction and leadership structure, especially when succession is being considered.

Our findings point to the weaknesses in the ecosystem of human resource management in family enterprises, and so we make the following recommendations to improve or increase work satisfaction and well-being of employees in family firms:

1. Reduce stress at the workplace with part-time work, job sharing, promoting wellbeing, and preventing stress in the workplace.
2. Encourage social connections.
3. Enable employees to grow within the organization by providing training, acknowledging benchmarks, and celebrating accomplishments. Employers should also encourage employees to take risks and learn new skills. Employees will become bored, lose motivation and satisfaction if they are not allowed to expand their skills and responsibilities.
4. Treat all employees with respect, regardless of level and seniority.
5. Encourage and instill trust between employees and managers.
6. Instill employee-focused management practices to ensure employees are more productive, creative, satisfied, and engaged.

Since intergenerational synergies are the largest determinants of employee satisfaction in family businesses, our recommendations are also focused on eliminating stereotypes regarding employees of diverse ages:

1. Promote healthy aging
2. Amplify efforts to create a society that embraces solidarity among generations.
3. Improve and strengthen the interaction among age-diverse employees.

The results also suggest that employees feel the presence of stereotypes about their age, which impacts employee relationships. Based on these findings, our recommendations to improve and increase intergenerational synergy in family firms are also:

1. Develop a mentorship scheme
2. Increase job rotation opportunities
3. Provide training to help employees understand that different generations have different communication styles and to work effectively with colleagues.

Furthermore, employee satisfaction is affected by the availability of flexible working hours and locations. Therefore, we also recommend that family businesses focus on flexible work schedules, which lead to more productive, satisfied, and engaged employees. Employees who cannot achieve work/life balance and feel burnt out have lower productivity. In this respect, employers should create a safe, stress-free environment to work. Employers can use this study results to enhance the management system and to improve work satisfaction and engagement of employees in family companies. The findings of this study could be utilized for the managerial practice and improvement of human resource policy in family companies. This is supported by the theoretical implications of this paper, which are based on selected constructs. Palma-Ruiz et al. (2020), Maa-mari/Majdalani (2017) Mosadeghrad and Ferdosi (2013), and Chiok Foong Loke (2001) emphasize that employees' job satisfaction depend on management's leadership style, therefore good leadership is a key element for satisfied and engaged employees. Also, according to Palma-Ruiz et al. (2020), Kuruppuge and Gregar (2018), Motwani (2016), Beazley et al. (2017), Profili et al. (2017), Anitha (2014), Mosadeghrad and Ferdosi (2013) employee relationships and intergenerational synergy play an important role in family companies, because if all age-diverse employees have good relationships with their co-workers and employers, their work satisfaction increases, which leads to higher employee engagement. Mosadeghrad and Ferdosi (2013) explained that there is a positive link between employees' job satisfaction and employees' work engagement. In addition, our results show that the same applies to Slovenian family companies.

The main contribution of our research is identifying the important aspects of sustainable family business management, specifically as related to engaged employees. Our research results and recommendations can help owners and managers of family firms to contribute to a better working environment in terms of increasing employee satisfaction and engagement. The research findings show that activities, such as effective leadership, employee relations, and intergener-

ational synergies, in family companies, have a significant positive impact on employee job satisfaction, which in turn leads to employee engagement. This is supported by the statistical model of this study and extant literature. Managers and entrepreneurs can use this study's results to enhance the management systems and human resource policies in family firms and to improve employee satisfaction and engagement.

Our study is limited to the field of family companies. Limitations of our research are reflected in the structural equation modeling. We propose further research utilizing a different data analysis method to validate our results. The limitations of our research are also reflected in the constructs that we have chosen for the survey. Therefore, we recommend further research to develop and analyze different constructs with structural equation modeling or analyze the mediation effects in the model (for example, effects between the independent variables and employees' engagement). Furthermore, future research can examine the differences between family companies and other companies using the same conceptual model of research.

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