

Why Employee Retention May Be Lower in Family-Owned Businesses Compared to Corporate Firms

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Abstract

Employee retention is an important human resource issue because high employee turnover can increase recruitment costs, reduce productivity, and result in the loss of experienced employees. This research investigates why employee retention may differ between family-owned businesses and corporate firms, focusing on management style, career-growth clarity, and workplace culture. A comparative mixed-methods approach was used, combining semi-structured employee interviews with a survey based on the Turnover Intention Scale (TIS-6). A simulated sample of 20 employees was used, with 10 employees from family-owned businesses and 10 from corporate firms. The findings indicate that corporate employees reported greater satisfaction with management and clearer career-development opportunities. Family-owned businesses received stronger scores for interpersonal relationships and employees' sense of belonging, but non-family employees reported lower perceptions of fairness and significantly higher turnover intention. Career-growth clarity showed the largest difference between the two groups. The findings suggest that family ownership itself does not necessarily cause higher employee turnover. Instead, unclear promotion systems, perceived favouritism, and less formal career-development structures may reduce job satisfaction and organisational commitment. The study concludes that family businesses could improve retention by introducing transparent promotion criteria, formal career-development plans, and fair HR practices while maintaining their close organisational culture.

I. Introduction

1.1 Background of the Topic

Employee retention has become an important issue for organisations because losing experienced employees can increase recruitment costs, reduce productivity, and affect workplace morale. The changes in working patterns and employee expectations following the COVID-19 pandemic also increased attention towards workplace culture, flexibility, job satisfaction, and career development.

Organisational culture refers to the shared values, beliefs, expectations, and behaviours that influence how employees work within an organisation. A positive organisational culture can improve employee satisfaction and encourage employees to remain with their organisation. Research on organisational culture and turnover intention suggests that workplace culture can influence employees' intention to leave through job satisfaction.

The comparison between family-owned and corporate businesses is particularly interesting because the two types of organisations can have different management structures. Family-owned businesses often combine family relationships with business relationships. This can create a close and supportive workplace environment, but it may also create challenges for non-family employees if promotions, leadership positions, or important decisions appear to favour family members.

Therefore, this research investigates how management style, career-growth clarity, and workplace culture may explain differences in employee retention between family-owned and corporate firms.

II. Existing Research

2.1 Organisational Behaviour and Organisational Commitment

Organisational behaviour examines how individuals and groups behave within organisations. One important concept related to employee retention is organisational commitment.

Organisational commitment can be divided into three main dimensions:

Affective commitment: employees stay because they feel emotionally connected to the organisation.

Continuance commitment: employees stay because leaving may involve financial, professional, or other costs.

Normative commitment: employees stay because they feel an obligation to remain with the organisation.

Organisational commitment is important because employees who feel connected to their organisation may be less likely to leave.

Al Balushi et al. (2022) examined the relationship between career growth, organisational commitment, and

turnover intention among employees in Oman's public sector. Their findings suggested that career growth influenced turnover intention through organisational commitment. The direct relationship between career growth and turnover intention was not significant, suggesting that career development may influence whether employees leave indirectly through their level of commitment.

This provides an important framework for this research:

Career growth → Organisational commitment → Turnover intention

Therefore, an employee may not leave simply because they have limited career opportunities. Instead, limited career development may reduce their sense of commitment to the organisation, which can increase their intention to leave.

2.2 Organisational Culture and Turnover

Organisational culture can strongly influence how employees experience their workplace. Employees who feel respected, supported, and included are generally more likely to develop positive attitudes towards their organisation.

Zhao et al. (2023), in their literature review on organisational culture and turnover intention, found evidence that organisational culture can affect turnover intention through job satisfaction.

This suggests another possible relationship:

Positive organisational culture → Higher job satisfaction → Lower turnover intention

Management style is also connected to workplace culture. A manager who communicates clearly, listens to employees, and provides fair feedback can create a more positive working environment. In contrast, inconsistent management or unclear decision-making may reduce employee satisfaction.

III. Research Gap

Existing research provides significant information about employee turnover, organisational culture, career development, and organisational commitment. However, family-owned businesses create a distinctive environment because family relationships and professional relationships often overlap.

Research on non-family employees in family businesses has found that perceptions of preferential treatment can influence employee attitudes. Waterwall and Alipour (2021) found that perceptions of treatment in family businesses were connected to job satisfaction, affective commitment, and turnover intentions.

Family businesses may therefore create a unique situation in which employees who are not part of the family may feel that their career opportunities are more limited.

The main research gap addressed in this study is therefore the need to examine **how management style, career-growth clarity, and workplace culture compare between family-owned and corporate firms**, rather than examining employee turnover in only one type of organisation.

IV. Research Question and Objectives

Research Question

To what extent do management style, career-growth clarity, and workplace culture explain differences in employee retention between family-owned and corporate businesses?

Objectives

To compare management styles between family-owned and corporate businesses.

To investigate whether employees experience different levels of career-growth clarity.

To examine how workplace culture affects employee satisfaction and intention to stay.

To investigate whether organisational commitment may explain the relationship between workplace factors and turnover intention.

To identify HR practices that family-owned businesses can use to improve employee retention.

V. Methodology

5.1 Research Design

This research uses a comparative mixed-methods approach.

The qualitative component consists of semi-structured interviews designed to understand employees' experiences of management, workplace culture, promotions, and career development.

The quantitative component uses a survey to measure turnover intention. Combining these two approaches allows the study to compare numerical patterns while also understanding the reasons behind employees' attitudes.

This approach is appropriate because organisational behaviour involves both measurable attitudes and individual workplace experiences.

5.2 Participants

The study uses a simulated sample of **20 employees**.

10 employees from family-owned businesses

10 employees from corporate firms
Within the family-owned group, 3 employees are assumed to be family members and 7 are non-family employees.

Category	Family-Owned Businesses	Corporate Firms
Number of employees	10	10
Family members	3	0
Non-family employees	7	10
Average years of experience	4.1	3.8

A family-owned business is defined in this research as a business in which a family has significant ownership or control and family members are involved in the management or operation of the business.

VI. Data Collection

6.1 Semi-Structured Interviews

The interview questions focused on:

- Management communication
- Employee involvement in decisions
- Promotion opportunities
- Training and development
- Workplace relationships
- Perceptions of fairness
- Job satisfaction
- Reasons employees might consider leaving

The interview responses were then grouped into themes.

6.2 Turnover Intention Survey

The quantitative section uses the **Turnover Intention Scale (TIS-6)** developed and validated by Bothma and Roodt (2013).

The TIS-6 consists of six items designed to measure an employee's intention to leave an organisation. The original study reported a reliability coefficient of approximately 0.80, indicating acceptable reliability.

For this research, responses were converted into a scale where higher scores represented stronger turnover intention.

VII. Data Analysis

The interview responses were analysed through thematic analysis. Common themes included:

- Management style
- Career development
- Workplace culture
- Fairness
- Job satisfaction
- Organisational commitment
- Turnover intention

The survey results were analysed using mean scores to compare family-owned and corporate firms.

Because the sample size is small, the results should be interpreted as patterns rather than proof of causation.

VIII. Results

8.1 Management Style

Employees rated different management factors on a scale of 1–5.

Management Factor	Family-Owned	Corporate
Communication with managers	3.7	4.1
Employee involvement in decisions	3.2	3.9
Managerial fairness	3.1	4.0
Feedback from managers	3.3	3.8
Overall Mean	3.33	3.95

The corporate group had a higher overall management score of **3.95**, compared with **3.33** for family-owned businesses.

The largest difference was in perceived managerial fairness. Corporate employees gave a score of 4.0 compared with 3.1 among family-business employees.

However, communication was relatively strong in family-owned businesses, with a score of 3.7. This suggests that family firms may have more personal communication even if their management systems are less formal.

8.2 Career-Growth Clarity

Career development was also measured on a scale of 1–5.

Career-Growth Factor	Family-Owned	Corporate
Clear promotion criteria	2.8	4.1
Training opportunities	3.0	3.9
Understanding of career path	2.7	4.0
Access to senior positions	2.6	3.8
Overall Mean	2.78	3.95

Career-growth clarity showed one of the largest differences between the two groups.

Family-owned businesses received an overall score of **2.78**, while corporate firms received **3.95**.

The lowest score among family-owned businesses was for access to senior positions, at **2.6**.

This may indicate that some employees in family businesses are uncertain about their long-term progression, particularly when senior positions are associated with family ownership.

8.3 Workplace Culture

Culture Factor	Family-Owned	Corporate
Sense of belonging	3.9	3.7
Team relationships	4.0	3.8
Feeling respected	3.5	4.0
Equal treatment	3.0	4.1
Openness to employee ideas	3.4	3.9
Overall Mean	3.56	3.90

An interesting result is that family-owned businesses scored higher in **team relationships and sense of belonging**. This suggests that family firms may have an advantage in creating personal relationships between employees. However, the family-owned firms scored lower in equal treatment, with a score of **3.0**, compared with **4.1** in corporate firms.

Therefore, family businesses may provide a close and friendly environment while still experiencing problems related to perceived fairness.

8.4 Turnover Intention

The turnover-intention scores were measured using a 1–5 scale.

Group	Mean Turnover Intention
Family-owned businesses	3.42
Corporate firms	2.31

The family-owned group had a higher turnover-intention score.

The difference was:

3.42 – 2.31 = 1.11 points

The family-owned group therefore recorded a substantially higher simulated intention to leave than the corporate group.

8.5 Family Members vs. Non-Family Employees

The comparison within family-owned businesses provides an important finding.

Factor	Family Members	Non-Family Employees
Career-growth clarity	3.8	2.4
Perceived fairness	4.0	2.7
Management satisfaction	4.1	3.0
Workplace belonging	4.4	3.7
Turnover intention	1.8	4.1

Family members reported a turnover-intention score of **1.8**, while non-family employees reported **4.1**.

This is the largest difference found in the study.

Non-family employees also reported considerably lower career-growth clarity and perceived fairness.

This suggests that the retention problem may not affect all employees in family-owned businesses equally.

8.6 Career Growth and Turnover Intention

The simulated data also suggests a relationship between career-growth clarity and turnover intention.

Career-Growth Clarity	Average Turnover Intention
1–2	4.2
2–3	3.7

3–4	2.6
4–5	1.9

The data shows a negative relationship between career-growth clarity and turnover intention. As employees' perception of career opportunities increases, their intention to leave appears to decrease. This supports the idea that career growth may influence employee retention through organisational commitment.

IX. Key Findings

The research produced five main findings:

Finding 1: Management

Corporate employees reported greater satisfaction with management, particularly regarding fairness and involvement in decision-making.

Finding 2: Career Development

Career-growth clarity showed one of the largest differences between the two groups.

Finding 3: Workplace Culture

Family-owned businesses had stronger interpersonal relationships and a stronger sense of belonging.

Finding 4: Non-Family Employees

Non-family employees within family businesses reported significantly higher turnover intention than family members.

Finding 5: Career Growth

Employees with clearer career-development opportunities generally reported lower turnover intention.

X. Discussion

The findings suggest that employee retention differences cannot be explained simply by the fact that one organisation is family-owned and another is corporate.

The strongest difference was found in career-growth clarity. Family-owned businesses scored **2.78**, compared with **3.95** for corporate firms.

Employees may be more likely to consider leaving when they cannot see a clear path for promotion or professional development.

The comparison between family and non-family employees is particularly important. Non-family employees reported a turnover-intention score of **4.1**, compared with only **1.8** among family members.

This may indicate that perceived preferential treatment can influence how non-family employees view their future within the organisation.

However, the results also show that family-owned businesses have strengths. Their employees reported stronger team relationships and a greater sense of belonging.

Therefore, family businesses do not necessarily need to become completely corporate. Instead, they could maintain their personal culture while introducing more transparent and professional HR systems.

10.1 Organisational Commitment Theory

The findings can be explained using Organisational Commitment Theory.

When employees feel that:

- their work is valued,
- promotion decisions are fair,
- managers support them,
- career opportunities exist, and
- they belong to the organisation,

they are more likely to develop organisational commitment.

Higher commitment can then reduce turnover intention.

The relationship can therefore be represented as:

Management Style + Career Growth + Workplace Culture

↓

Job Satisfaction / Organisational Commitment

↓

Turnover Intention

↓

Employee Retention

This suggests that management style and career development may not directly cause employees to leave. Instead,

they may influence employees' satisfaction and commitment, which then affect their intention to leave.

XI. Comparison with Previous Studies

The findings of this research are broadly consistent with previous studies.

Zhao et al. (2023) found that organisational culture can influence turnover intention through job satisfaction. This supports the finding that workplace culture is an important factor in employee retention.

Al Balushi et al. (2022) found that organisational commitment played an important role in the relationship between career growth and turnover intention. This supports the idea that career development may affect retention indirectly.

Waterwall and Alipour (2021) found that perceptions of treatment in family businesses were related to job satisfaction, affective commitment, and turnover intentions among non-family employees.

The findings also show that family businesses should not automatically be considered worse employers. Family-owned businesses can provide strong relationships and belonging, but their retention outcomes may depend on whether employees perceive the workplace as fair and whether they have opportunities for professional growth.

XII. Practical Implications

Based on the findings, family-owned businesses could improve employee retention through the following strategies.

12.1 Transparent Promotion Criteria

Employees should clearly understand what skills, qualifications, and performance levels are required for promotion.

12.2 Formal Career Development

Family businesses should provide training, mentoring, and development opportunities to non-family employees.

12.3 Performance-Based Promotion

Promotions should be based on measurable performance and skills rather than family relationships.

12.4 Regular Employee Feedback

Managers should regularly discuss employee performance, concerns, and career goals.

12.5 Professional HR Systems

Family businesses could introduce formal HR policies while maintaining their close and personal organisational culture.

These practices could help family-owned businesses retain the positive aspects of their culture while reducing perceptions of favouritism and limited career opportunities.

XIII. Limitations

The research has several limitations.

First, the sample size of 20 employees is relatively small. Therefore, the results cannot be generalised to all family-owned and corporate businesses.

Second, the simulated data does not represent actual employee responses. It is included only to demonstrate how the research could be analysed. Actual research would require primary data collected from real employees.

Third, employees may provide socially desirable responses when discussing their managers or workplace.

Fourth, the study is cross-sectional, meaning it examines employee attitudes at one point in time. It cannot prove that management style or career development directly causes employees to leave.

Finally, businesses from different industries may have different management structures and workplace cultures. Therefore, results from one industry may not apply to another.

XIV. Future Research

Future research could use a larger sample of employees from several industries.

A longitudinal study could also track employees over a longer period to determine whether changes in management practices and career development actually lead to changes in turnover.

Future research could also compare:

- small vs. large family businesses,
- first-generation vs. later-generation family businesses,
- family vs. non-family employees,
- different industries, and
- different countries.

A larger study could use statistical methods such as PLS-SEM to investigate whether job satisfaction and organisational commitment mediate the relationship between organisational factors and turnover intention.

XV. Conclusion

Employee retention in family-owned businesses should not simply be explained by saying that family firms have poorer management than corporate firms.

The findings of this study suggest that management style, career-growth clarity, workplace culture, job satisfaction, and organisational commitment interact to influence employee retention.

The largest difference in the simulated data was career-growth clarity. Corporate firms scored **3.95**, while family-owned businesses scored **2.78**. Non-family employees in family-owned businesses also reported substantially higher turnover intention than family members.

At the same time, family-owned businesses performed better in areas such as team relationships and sense of belonging. This shows that family businesses have important cultural strengths that corporate firms may not always have.

Therefore, family ownership itself may not be the main reason for lower employee retention. Instead, problems arise when family influence creates unclear promotion systems, perceived favouritism, or limited opportunities for non-family employees.

The most effective solution is therefore not to remove the family character of the business, but to combine its personal culture with **transparent, fair, and professional HR practices**.

Overall, the research demonstrates that employee turnover is not simply an HR statistic. It is influenced by how employees experience leadership, fairness, culture, career opportunities, and belonging within an organisation.

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