

THE EFFECT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON THE LOYALTY OF NON-FAMILY EMPLOYEES IN FAMILY BUSINESSES

Muhamad Salman¹, Dafa Hanif Rafiqaza², Togar Halomoan Lubis³, Azizah Fauziyah⁴

^{1,2,3,4}Universitas Pendidikan Indonesia Kampus Tasikmalaya, Jl. Dadaha No.18

E-mail: muhamadsalman240205@upi.edu; dafhmf06@upi.edu; togarlubis39@upi.edu; azizahfauziyah@upi.edu

ABSTRACT

Family businesses play a crucial role in the global economy, yet one of the significant challenges they face is maintaining the loyalty of non-family employees. This study aims to explore the impact of Human Resource Management (HRM) practices on the loyalty of non-family employees in family businesses. Using the Systematic Literature Review (SLR) methodology, this research analyzes 7 selected studies out of 25 identified articles through Publish or Perish, which accesses Google Scholar databases. The findings reveal that transparent and fair HRM practices, such as equal compensation, objective performance evaluations, and career development opportunities, significantly enhance non-family employee loyalty. Furthermore, family-friendly HRM practices, like work-life balance initiatives, and meaningful leadership, were found to strengthen the emotional attachment of non-family employees to the organization. This study contributes to understanding how equitable HRM practices can reduce favoritism challenges in family businesses and promote long-term sustainability. The results suggest that the implementation of inclusive and sustainable HRM practices is essential to fostering non-family employee loyalty, ensuring the continuity of family businesses.

Key words: human resource management; employee loyalty; family business; non-family employees.

INTRODUCTION

Family businesses are a major segment of the global economy, comprising the majority of small and medium-sized enterprises and contributing significantly to job creation. The main challenge facing these companies is maintaining the loyalty of non-family employees, which is critical to operational continuity and innovation. Non-family employees often experience low levels of commitment due to perceptions of favoritism toward family members and unequal career opportunities (Memili, Yazici, & Patel, 2022). Human Resource Management (HRM) is recognized as the primary mechanism for promoting fairness and engagement. Professional HRM practices such as fair recruitment, transparent performance evaluations, equal compensation, and inclusive communication can increase job satisfaction and loyalty (Mostafa et al., 2018). However, HRM in family businesses is often informal and influenced by family values, which can lead to inconsistent treatment of non-family employees (Blanco-Mazagatos et al., 2018). This study aims to explore how formalized HRM practices affect the loyalty of non-family employees in family businesses, as well as fill current research gaps and contribute to sustainable business practices.

METHOD

This study employs the Systematic Literature Review (SLR) method to analyze the influence of Human Resource This study uses the Systematic Literature Review (SLR) method. This method is a systematic method for collecting, critically testing, combining, and compiling findings from various studies on the topic or research question being investigated. The research begins with searching for articles relevant to the research topic. Researchers can identify, analyze, evaluate, and interpret the results of previous studies using the SLR research method. The results of this study were then evaluated by the researchers by systematically reviewing and identifying the selected research articles (Triandini et al., 2019).

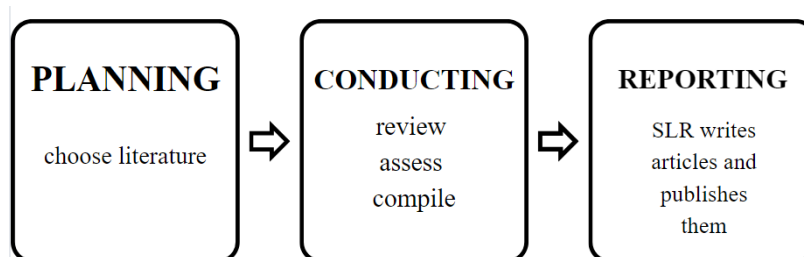


Figure 1. Research Stages

(HRM) practices on the loyalty of non-family employees in family businesses. The SLR process was conducted in three main stages: planning, conducting, and reporting. In the planning stage, relevant literature was selected and search keywords such as “family business,” “HRM practices,” “employee loyalty,” and “non-family employees” were determined using databases Google Scholar, Research Gates, Emerald. The conducting stage involved reviewing, assessing, and compiling relevant studies according to inclusion criteria, while the reporting stage focused on synthesizing the findings and presenting the results.

In determining the criteria, the data obtained is used to determine whether the data is suitable for research. The following are the research data criteria

Table 1. Criteria Determination Stage

Inclusion Criteria	Exclusion Criteria
Articles published between 2010 and 2024	Articles published outside the period 2010-2024
Articles written in English or Indonesian	Articles that do not use English or Indonesian
Peer-reviewed articles available in full text	Articles that are not peer-reviewed or are not available in full text
Articles relevant to HRM practices and loyalty of non-family employees in family businesses	Articles that are not relevant to the research topic

The following diagram shows the selection of appropriate articles:

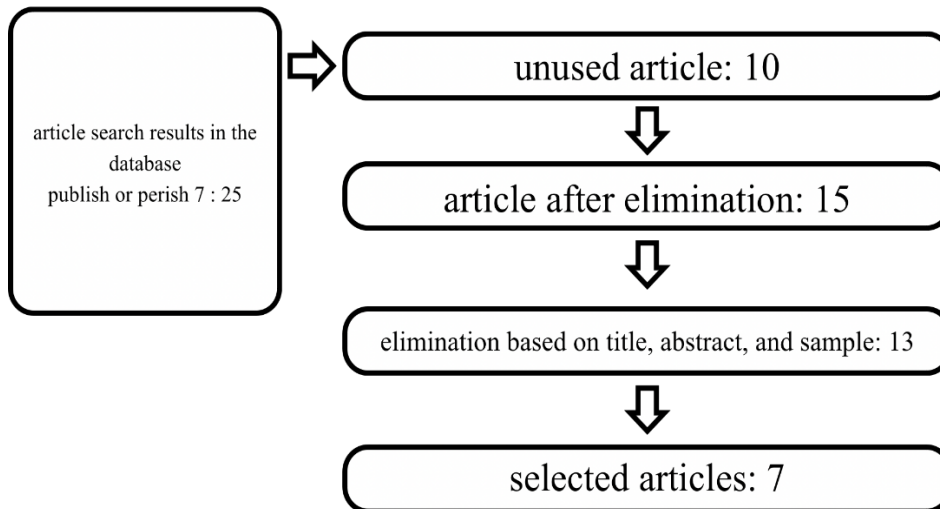


Figure 2. Selection of appropriate articles

After conducting an article search, researchers found 25 articles through the Google Scholar, Research Gate, Emerald database using Publish or Perish. Of these 25 articles, 10 were selected for further analysis based on their relevance to the research topic. Articles that did not meet the criteria, either because they were theses or digital books, were excluded from the selection process. Furthermore, further screening was carried out based on the title, abstract, and sample, resulting in the selection of 7 articles that truly met the research criteria and would be analyzed in detail. The article selection process is illustrated in the following diagram.

The results of this literature study form an important basis for analyzing the implementation of Human Resource Management (HRM) practices in increasing the loyalty of non-family employees in family businesses. From the selected research results, it was found that transparent and fair HRM practices, such as equal compensation, objective performance evaluations, and career development opportunities, have a significant impact on increasing the loyalty of non-family employees. HRM practices that support work-life balance also strengthen the emotional bond between non-family employees and the organization. These findings provide insight into how good HRM practices can overcome challenges in family businesses and support the long-term sustainability of the organization.

Table 2. Results

Author	Title / Year	Method	Research Results (Relevance to the Loyalty of Non-Family Employees in Family Businesses)
Khuong et al. (2020)	<i>The Impact of HRM Practices on Employee Motivation and Loyalty / 2020</i>	Quantitative, Survey	Transparent HRM practices increase the motivation and loyalty of non-family employees. The implementation of clear and objective HRM practices in family businesses can increase loyalty.
Alolayyan et al. (2021)	<i>Strategic HRM and Human Capital Development / 2021</i>	Quantitative, Survey	Strategic HRM practices have a positive effect on human capital development. Strategic HRM practices in family businesses can increase the commitment and loyalty of non-family employees.
Hassaan & Bibi (2023)	<i>Impact of Sustainable HRM Practices on Employees Professional Development / 2023</i>	Quantitative, Survey	Sustainable HRM increases the engagement and loyalty of non-family employees by giving them opportunities for growth and a sense of belonging to the family business.
Razzak et al. (2024)	<i>Turnover Intentions of Non-Family Employees in Family Firms: The Influence of Leader Mindfulness, LMX Quality, and Affective Commitment / 2024</i>	Quantitative, SEM	This study shows that leader mindfulness and leader-member exchange (LMX) quality have a positive influence on the affective commitment and loyalty of non-family employees. Mindful leaders can reduce the turnover intention of non-family employees by improving LMX quality and affective commitment, which increases their loyalty to the family business.
Idowu Akintayo et al. (2020)	<i>Family-Friendly HRM Practices and Employee Behavioral Outcomes / 2020</i>	Quantitative, Survey	Family-friendly HRM that prioritizes work-family balance increases organizational commitment and loyalty among non-family employees in family businesses, reducing work-family conflict.
Khan & István. (2023)	<i>HRM Practices and Organizational Commitment in Pakistan / 2023</i>	Quantitative, SEM	Fair and transparent HRM practices increase loyalty and organizational commitment. The implementation of inclusive HRM practices strengthens the relationship between non-family employees and the organization within a family business.
Cherif (2020)	<i>Human Resource Practices and Organizational Commitment in the Saudi Banking Sector / 2020</i>	Quantitative, Survey	HRM practices have a positive effect on organizational commitment in the banking sector, indicating that fairness and opportunities for growth play an important role in strengthening the loyalty of non-family employees.

Of the seven articles analyzed, the majority showed that transparent, fair, and sustainable Human Resource Management (HRM) practices have a significant influence on increasing the loyalty of non-family employees in family businesses. Khuong et al. (2020) emphasize that openness in HRM practices, such as objective performance evaluations and equitable compensation systems, can increase employee motivation and loyalty. These findings are reinforced by Khan & István (2023), who found that fairness in HRM plays an important role in strengthening employee commitment to the organization. Furthermore, research by Idowu Akintayo et al. (2020) and Hassaan & Bibi (2023) shows that family-friendly HRM policies such as flexible working hours and support for household responsibilities contribute positively to increasing loyalty, as employees feel more valued and supported in balancing their work lives.

On the other hand, the availability of clear career development opportunities, such as training programs and transparent career ladder systems, has also been proven to be an important factor in building loyalty, as employees feel they have promising prospects within the company. Research from Cherif (2020) adds that attention to the well-being of non-family employees, both professionally and personally, also strengthens their commitment and attachment. Razzak et al. (2024) also highlight the importance of effective leadership, characterized by mindfulness and supportive interactions, in strengthening the relationship between non-family employees and the organization. When employees perceive leadership as authentic and their work as meaningful, this significantly increases their emotional attachment to the company, reduces their intention to leave, and increases their loyalty.

Overall, these findings confirm that the implementation of inclusive, fair, and sustainable HRM practices is key to creating harmonious long-term relationships between family businesses and non-family employees, while supporting the overall sustainability of the organization.

CONCLUSION

From the seven journal articles reviewed, it can be concluded that HRM practices have a significant influence on the loyalty of non-family employees in family businesses. Fair, transparent, and sustainable HRM practices such as equal compensation, objective performance appraisals, and career development opportunities play a major role in increasing the loyalty of non-family employees. Meaningful leadership that focuses on providing meaning in work and self-development also strengthens the emotional attachment of non-family employees to the organization. Findings from these studies show that in family businesses, non-family employees tend to be more loyal when they feel they are treated fairly and given equal opportunities to develop, without discrimination against family members. In addition, family-friendly HRM that pays attention to work-family balance also plays a role in increasing the commitment and loyalty of non-family employees. Overall, the implementation of inclusive and sustainable HRM practices in family businesses can strengthen the loyalty of non-family employees, which in turn contributes to the long-term stability and sustainability of the organization.

REFERENCES

- Akintayo, D. I. (2020). Family-Friendly Human Resource Management Practice and Employees' Behavioural Outcomes in Nigerian Banking Sector. *European Journal of Business and Management*, 12(11), 28–36. <https://doi.org/10.7176/ejbm/12-11-04>
- Alolayyan, M. N., Alyahya, M. S., & Omari, D. A. (2021). Strategic human resource management practices and human capital development: The role of employee commitment. *Problems and Perspectives in Management*, 19(2), 157–169. [https://doi.org/10.21511/ppm.19\(2\).2021.13](https://doi.org/10.21511/ppm.19(2).2021.13)
- Capabilities, D., Mariam, S., Khawaja, K. F., Ghufuran, H., & Khan, A. (2023). *NUML International Journal of Business & Management*. 18(1), 1–15.
- Cherif, F. (2020). Internasional Journal of Sociology and Sosial Policy. *The Role of Human Resource Management Practices and Employee Job Satisfaction in Predicting Organizational Commitment in Saudi Arabian Banking Sector*, 40(7), 529–541.
- Hassaan, M., & Bibi, S. (2023). Impact of Sustainable Human Resource Management Practices on Employees Professional Development. *Journal of Human Resource Management*, 11(2), 57–65. <https://doi.org/10.11648/j.jhrm.20231102.13>
- Khan, F., & Istvan, K. (2023). *NUML International Journal of Business & Management*. *The Efficacy of Human Resource Management Practices in Building Organizational Commitment of Employees: Evidence from Pharmaceutical Sector of Pakistan*, 18(1).
- Khuong, M. N., Mai, T. P., & Minh Phuong, N. T. (2020). The impacts of human resource management practices on employees' motivation and loyalty. *Management Science Letters*, 10(11), 2673–2682. <https://doi.org/10.5267/j.msl.2020.3.025>
- Mazagatos, B., Quevendo de, V., Garcia Delg, E., & Bautista, J. (2018). *Journal of Business Research*. *Human Resource Practices and Organizational Human Capital in the Family Firm: The Effect of Generational Stage*, 84, 337–384.
- Mustafa, M. J., Caspersz, D., Ramos, H. M. ., & Siew, C. M. . (2018). *Human Resource Development International*. *The Satisfaction of Non-Family Employees with High Involvement HR Practices: Evidence from Family SMEs*.
- Omer, Y., Esra, M., & Pankaj, P. (2022). *Entrepreneurship Research Journal*. *Non-Family Employees in Family Firms and Turnover Intentions: The Relevance of Identification and Justice Perceptions*, 12(2), 107–135.
- Razzak, M. R., Alam, M. M. D., Al Riyami, S., & Al Kharusi, S. (2024). Turnover intentions of non-family employees in family firms – the influence of leader mindfulness, LMX quality and affective commitment. *Journal of Family Business Management*, 14(1), 77–102. <https://doi.org/10.1108/JFBM-05-2023-0065>