Progressive Transformation of Delegation Practices to Non-Family Managers: Example of Human Resource Practices in a Lebanese Family Business

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Abstract

Growing family businesses need to enrich their human capital with non-family managers to build internal capabilities to maintain sustainability. These external professionals benefit the family business with expertise and specialty skills. However, owners are challenged by the type and extent of decisions delegated versus retained. This paper illustrates the use of the socio-economic approach to management to transform a growing Lebanese family business' delegation practice to non-family managers. The relationship between the owner-ceo and the human resource non-family manager was improved based on collaboration to reach autonomy in developing professional human resource practices. The outcome indicates that progressive delegation of decision making can reduces owners' fear of control loss and supports the socio-economic performance of the family business for sustained growth.

Keywords: Family business, non-family managers, delegation, socio-economic approach to management, collaborative delegation, socio-economic.

Family "owned and managed" businesses are known to be the oldest form of businesses, ranging from the smallest and largest, youngest and eldest in developing and developed economies. They are the catalyst of the economic, contribute to 85% of the world private sector employees and they are established with the core belief of continuity and growth. Family should be researched due to their role in creating new jobs, incubating new businesses and promoting economic development of local communities (Astrachan et al., 2003).

Family businesses comprise three overlapping, interacting and interdependent subsystems of family, management and ownership (Poza, 2007). Family presence is a common factor with owners' preference for entire business control (Landsberg, 1999) and is remarkably influential in strategic execution, innovation and growth. This integration system creates the family business dynamic and complex environment which is subject to various challenges, due to changes in the operating environment, such as growth, development and expansion of operations. These require family businesses to build internal capabilities and develop competitive strategies to manage challenges encountered. Professionalizing the business with a mixed constellation of family and non-family managers is the first step towards transformation and is a critical success factor to accommodate growth, since the quality and quantity of human capital within the family could constrain growth and wealth creation (Sirmon & Hitt, 2003).

The external professionals initiate change and direct strategic planning as the business becomes bigger and more complex. Conflict can arise among owner-managers and non-family managers due to owners' fear of control loss and difficulty in evaluating the deviation of non-family managers' interests and intentions from the family business strategic goals. Resulting in lack of delegation in key decisions and non-family qualified managers are put aside depriving the business of rich source of ideas that can enhance performance (Zahra, 2005). Therefore, it is essential for family business owners to be aware that having competent internal resources plays a key factor in growth and sustainability. Owners' are unsure of how to take the first step and face difficulties in developing a viable roadmap to proactively develop new management practices. A complex task for family businesses that requires the development of various organizational learning mechanism (Fredberg et al., 2011) creation of ongoing dialogue and transformation orientation (Beer, 2011).

In this paper the authors describe how socio-economic intervention research was adapted at a growing Lebanese family business engaged in pastry production with a management system influenced by the belief that owners should hold all authority and make all important decisions. To tackle the encountered growth challenges and assess the implications of lack of delegation to non-family managers, particularly between the owner-ceo and the human resource non-family manager. Its management system was influenced by the belief that owners should hold all authority and make all important decisions. In this paper the researcher advocates for management change and a new culture of collaborative delegation between the owner-ceo and non-family managers. These changes are needed to enhance performance and sustainability of 85% of enterprises in the private sector that account for 1.05 million to 1.24 million jobs (Fahed-Srieh, 2006) that contribute to the prosperity and stability of Lebanon.

Literature review

Family businesses are known to be more controlling than their non-family counterparts with a centralized structure dimension that narrows the firm perception to few top decision makers (Daily & Dollinger 1992). This centralized structure is regarded an important strategic benefit for family owned businesses as it decreases transaction and informational costs and permits families to keep their best interests in their business (Chrisman et al., 2004). However, centralization can transform into a potential negative if a family business decisions are kept in the hand of one single decision maker or a few dominate owners as they might undermine the ability of the business to pursue opportunities (Hall et al., 2001), and affect capability for development (Gong et al., 2006) and growth (Gilbert et al., 2006).

Further, as family businesses get older and more established, family members often cannot cover all the required key managerial positions (Sciascia & Mazzolla, 2008) and the businesses are required to hire professional non-family managers. The incorporation of non-family managers imposes changes in the decision-making structure (Sonfield & Lussier, 2004) towards a decentralized decision-making process of higher employees' involvement and contribution in suggestions and recommendation. Also, non-family members could positively affect family business innovation due to diversity and professionalism of the non-family group (Famoso et al, 2014). However, conflict might arise due to diversity of interests as owners perceive non-family managers as professional, detached, objective and opportunistic (Hall & Nordqvist, 2008). Such conflict that can drastically affect the performance of the non-family members and create a lack of trust among the parties.

The conflict between a principal "owner" and agent "non-family managers" is a branch of agency theory that addresses the relationship from behavioral and governance perspectives (Davis, 2000). The theory encompasses any type of relationship in which delegation of work from principal to manager occurs, regardless of the actual position. Agency theory suggests that managers choose opportunistic self-interested behavior rather than a behavior that maximizes the principal's interest (Davis et al., 1997) and is based on the idea that non-family managers will not watch over the affairs of a firm as precisely as the owners manage the firm. Therefore, agency problems occur as a consequence of delegation to the agent when the outcome diverges from the principal interest. The legitimacy of authorities delegated to an agent and the extent of agent's compliance with principal decisions is based on the fairness of the decision-making procedures that are practiced by owners in a complex structure (Astrachan & Jaskiewicz, 2008). Also, the competency level between family and non-family managers affects the effectiveness and outcomes of delegation practices (Verbeke & Kano, 2012). The fear of control loss by owners inadvertently thwarts the delegation process and can impact the family business performance (Anderson, 1992).

However, delegating decision making to an agent possessing relevant information to a given decision can benefit the firm (Geanakoplos & Milgrom, 1991). Delegation increases agents' initiatives, participation, and exploitation of competencies that directly affects the family business sustainability and growth. Involving non-family managers in decision-making enables family businesses to benefit from the manager's expertise, ideas, and perspectives. A collaborative engagement practice characterized by balanced power to achieve common goals is perfectly suited for delegation at all levels in family businesses as influence tactic to achieve cooperation (Colbry, Hurwitz, Adair, 2014; Yukl, Chavez, & Seifert, 2005). Collaboration enables family businesses to function as a team and emphasizes cooperation among family and non-family members. The collaborative relations depend on linking objectives through negotiation and interaction; where viewpoints of others are recognized (Kingdon, 1973). Collaboration represents a win-win mentality as it requires mutual sharing and openness (Sorenson, 1999).

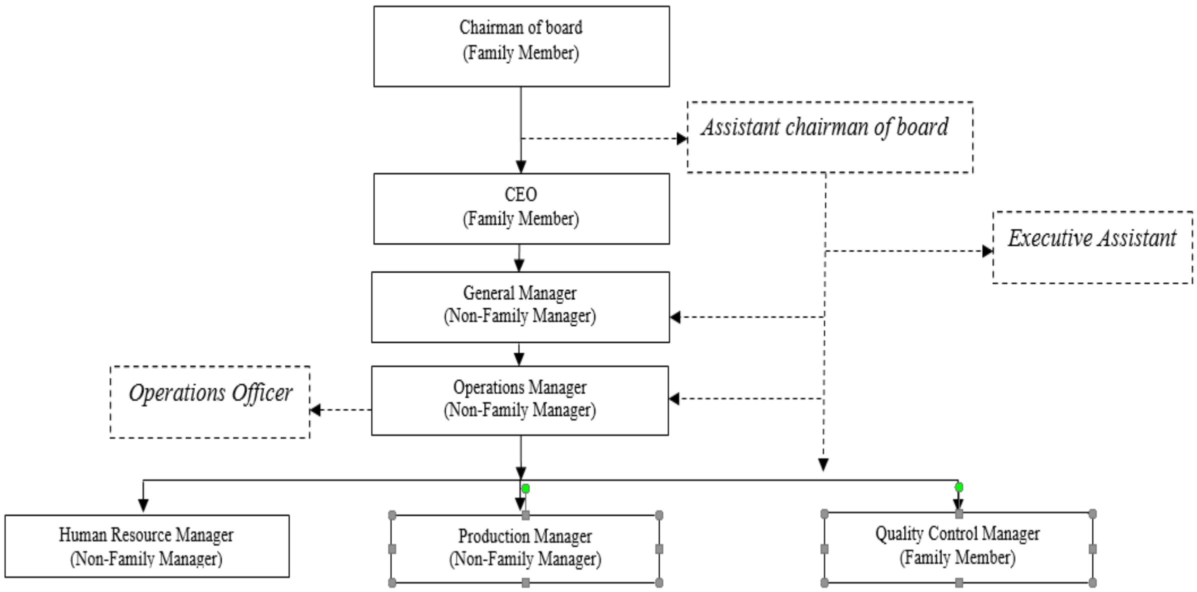
The research site

The Lebanese family business started as a sweet shop over hundred years ago in a region traditionally known for oriental sweets production. Across generations, successive family members promoted the authentic oriental sweets production to the artisan level and earned an icon trade name for oriental sweets in the Middle East region. A leader in the Lebanese market distinguished by quality, ingredients and authentic taste. The family business mission was targeted towards serving high-quality products and market share increase to maintain profitability and leadership of the family. The vision was to reach foreign markets and meet international standards through product control and development of personnel.

In response to market leadership and product recognition, franchising was adapted as a strategic expansion plan to reach customers in local and international markets. That progressed mostly over the past five years to include three owned branches and twenty franchise; eleven in Lebanon and nine overseas. The main branch includes a factory of nine production units and headquarter operational offices. The growth and expansion strategy required the incorporation of non-family managers in the top management team as indicated in the organizational chart figure 1.

Figure 1

Family business organization chart



The general manager, production manager and human resource manager joined the top management team almost six months prior to the intervention. They were dynamic middle-aged male professionals (who are between 40 and 45 years) with profound experience in leading Lebanese businesses. They were willing to bring new ideas, share specialists' skills and contribute in strategies development along with the owners.

On a family level, four devoted brothers (who were between 60 and 75 years) were directly involved in daily operations based on their expertise, efforts, and commitment. The brothers cooperatively discussed and negotiated all operational decisions and planned strategies but the final decision was taken by the second eldest brother appointed as the headquarter 'chief executive officer'. For the past two years the owners adapted a pro-active strategy for management change, challenged by the extent of decision making delegated to non-family managers and hindered due to high level of involvement and attachment. For instance, the human resource management position remained vacant for almost two years. During that period, three non-family managers were appointed, non-of them finished a year on the job as their responsibility was limited to legal paperwork and routine procedural tasks. The owners feared that the newcomers might not have their vision about how the business should be conducted. They justified their lack of trust by the fact that they have grown the business from scratch, and it is was challenging to let go and delegate authority of the decisions making.

Methodology

Intervener-researchers using the Socio-Economic Approach to Management (SEAM) study organization members' behavior and practices over a medium- and long-term basis to foster development in management practices and evaluate the effect of introduced changes. A socio-economic intervention reveals the state of an organization through the engagement of top managers as supporters of change and employees as the expert providers of information and co-producers of solutions in the change management process (Savall & Zardet, 2011). The socio-economic intervention creates awareness of the need for change in management practices, attitude and mind-set towards delegation through the change process; diagnosis that tackles the organization dysfunctions, calculate relevant hidden costs, design and implement solutions to enhance human capital potentials and create collaborative work environment (Savall, Zardet, & Bonnet, 2008).

The socio-economic intervention in the pastry company started by negotiating the intervention-research process with the one of the four owners. The owner-ceo was aware for the need for change as non-family managers were incorporated into the management team and needed to develop new management practices to respond to the family business growth and to preserve the family legacy. The owner-ceo accepted the SEAM intervention process. The intervention started by clustering the organization with two coordinated actions; horizontal and vertical.

The horizontal part of the organization was the top management team composed of both family and non-family mangers. Semi-structured interviews were conducted with all members of the selected top management team to identify dysfunctions. Then in a process called the "Mirror Effect" a presentation of the horizontal outcome was made to top management to help them recognize the existing dysfunctions.

The vertical level included the production unit whose members unit were interviewed to assess the implications of lack of delegation to non-family human resource manager on the production line. Interviews were conducted with all categories of personnel; second-line management, supervisors and labor force. Focus groups (3 to 6 people) were formed to reflect diversity in opinions and behavior from the production unit. Then a second round of interviews were conducted to translate the qualitative information of identified dysfunctions and lack of delegation into financial results, the hidden costs. The analysis of the hidden costs was presented to all participants; top management team and production unit personnel in two separate mirror effect meetings.

Consequently, an expert opinion was provided to the owner-ceo and top management team. The expert opinion represented the interpretation of the studied dysfunctions and the issues that were not stated by participants but picked up by the intervener through direct observations and formal and informal contact with all participants' categories. It served as a base for the build-up of projects for solutions development.

Projects were developed and implemented. Project development involved a group composed of family and non-family managers, supervisors and the production manager. Projects included financial studies that specified solution costs, regulation costs and the estimated reduction in hidden costs. Solutions implementation required the use of four out of the six SEAM management tools; Internal/external strategic action plan, Priority action plan, Competency grid and Time management. Once projects were implemented, solutions were evaluated after a period of eight months to measure dysfunction reduction on a qualitative and quantitative level. By conducting interviews with non-family human resource manager and supervisors to estimate reductions in hidden costs that result in enhanced performance and visible creation of value.

Data Collection

At the top management level the intervener-researcher: targeted the management team composed of both family and non-family managers as indicated in table 1 to discover dysfunctions in management practices at top management level.

Table 1

Interviews classification: Top management team

Category	*Family Relation*
CEO	Family-owner
General Manager	Non-family manager
Production Manager	Non-family manager
Operational Manager	Non-family manager
Head of Production Units Manager	Non-family manager
Quality Control	Family-owner- manager
Human Resource Manager	Non-family manager

Semi-structured interviews were conducted with all managers of the selected top management team in their offices on an individual basis, except for owner-ceo interview. It took place in the premise's restaurant as none of the four owners have offices. All interviews were anonymous, registered by written notes and purposed to identify dysfunctions in the form of key ideas that related to delegation of authority to non-family managers at top managerial level grouped under six categories: working conditions, work organization, communication-coordination-cooperation, time management, integrated training, and strategic implementation. Overall, all actors were responsive and provided valuable and transparent information regarding delegation of decision making from his position of responsibility and perspective.

The production unit with highest returns was chosen to identify dysfunctions and bottlenecks that affect the core of the family business operations; that generate financial benefits and promotes prosperity. Interviews were classified as such; production units' non-family manager on individual basis, supervisors as groups of two and focus groups of an average of eight workers per group. As well as external managers to the unit: quality control family manager and human resource non-family manager, Prior to conducting individual or focus group interviews participants were informed that shared information remain anonymous, recorded with written notes and can be reviewed at the end of the interview, table 2.

Table 2

Production units interview classification

Category	*Number of Interviews*	*Type of Interviews*	*Number of Interviewees*
Head of Production Units Manager ***(non-family Manager)***	2	Individual	1
Human Resource Manager ***(non-family Manager)***	1	Individual	1
Quality Control Manager ***(Family Member)***	1	Individual	1
Production unit Supervisors	2	Group of 2	2
Production unit workers	2	Focus group 1 Focus Group 2	Focus Group 1 = 8 workers Focus Group 2 = 9 workers

The collected qualitative data was gathered using three techniques**:** interviews, direct observations and documents analysis. The quality and reliability of the interviews qualitative data were systematically validated from three sources: the manager of the production unit, supervisors, and workers. Direct observation was conducted at the production unit in two interval periods: peak and regular period. The up-close observations of the production line; process, working conditions, teamwork and cooperation enabled the intervener to improve the significance of the information collected from focus groups interviews.

A second round of interviews was conducted with supervisors and the head of the production unit manager to collect specific data to transform the qualitative dysfunctions into quantitative data and to calculate their relative hidden costs using the hourly contribution of value added on variable cost value (HCVAVC: Revenue-Variable costs/total effective work hours) to assess the financial impact on the family business.

Mirror Effect

The collected field note quotes were openly discussed with participants to extract a common understanding and to eliminate misunderstandings. The mirror effect enabled non-family managers to present their perception of owners' "interference", "review" of all decisions and "lack of authority" as elements that affected the management process efficiency. Also, fear of "control loss" was a major contributor for not making a good use of the non-family managers' expertise. The owner-ceo admitted that divergence of "interests" and "control loss" of a business they built from scratch were the main barriers for lack of delegation in decision making to non-family managers. The mirror effect process enabled owner-ceo to grasp the picture and he demanded further investigation for the lack of delegation implications on the family business.

Upon the collection of the qualitative and quantitative data at the production unit a second mirror effect was with production unit focus groups to present the dysfunctions and implications of lack of delegation to non-family human resource manager on daily operations.

Another meeting was for top management and second-line managers to see the hidden costs stemming from lack of delegation to human resource manager, over-productivity and bad working conditions. The financial figures were alarming and triggered the owner-ceo to consider solutions and acknowledged that it is about time to take corrective measures in management practices.

Data Analysis

The qualitative data from the top management level exhibited the management practices and the nature of dysfunctions. The field notes demonstrated that although non-family managers are assigned key managerial positions, lack of delegation by the owner-ceo affected behavior and resulted in dysfunctions. The primary problems identified were centralized decision making by owners, lack of delegation to non-family managers, absence of professional human resource practices, and lack of cohesion between family and non-family mangers (see table 3).

Table 3

Example of field note quotes raising the issue of lack of delegation to non-family managers

Dysfunctional areas and lack of delegation at Top Management Level

Examples of Field Note Quotes
"Owners daily presence at headquarter allow for interference at all levels."
"Bypassing managers for decisions affects his authority figure"
"Procedures and processes are delayed as all decisions taken by non-family managers are reviewed by the owners."
"Employees bypass management personnel by seeking approval from the owner directly."
"Owners fear newcomers might not have the real vision about the business and how to run things."
"Through the expansion process, they might be more controllable as they fear the loss of power."

These key elements trickled down the line and affected the production unit operations as per the qualitative interviews extract. The lack of delegation to non-family human resource manager was visible at production unit and caused operational dysfunctions. The owner-ceo bypassed the human resource non-family manager and limited his role to routine procedural and paperwork rather than developing professional human resource practices. Although, it was evident that random practices decided by the owner-ceo were no longer feasible and created dysfunctions and bottleneck that affected operations as shown in table 4.

Table 4

Example of field note quotes dysfunctions due to of lack of delegation

Dysfunctional areas at Production Unit

Examples of Field Note Quotes
"Human resource functions are determined by owners"
"We have not seen any decision taken by the Human resource manager yet"
"The Human Resource Department is limited to legal work"
"Owners strategy of hiring unqualified labor is not feasible anymore due to expansion"
"There are no promotions, we are treated as production numbers"
"No job advancement and appraisal"

Hidden costs causes and calculations

A second round of interviews was conducted with the head of production units' manager, supervisors and workers to translate the qualitative information of dysfunctions into financial results. Eight hidden costs were calculated that directly related to lack of delegation to non-family manager and contributed to an average hidden cost of $325,949 at the production unit, the equivalent of $19,173 per worker. These hidden costs represented losses in earnings due absenteesim, productivity gap and turnover, projected in terms of to non-production and excess time mostly. A summary of the hidden costs is presented in Table 5.

Table 5

Summary of Hidden Costs: Indicators and Components

	Excess-Time	**Non-Production**	**Total**
Absenteeism	$ 13,338	$119,045	**$ 132,383**
Staff Turnover	$ 29,837	$ 50,723	$ 80,559
Direct Productivity Gap	$ 24,243	$ 88,764	**$ 113,007**
Total Hidden Costs			**$325,949**

17 workers in the production unit

Hidden costs = $19,173
per worker per year

The absence of selection criteria for recruits, an owner-ceo decision in disregard of the human resource non-family manager's advise, led to insufficient team numbers and unbalanced competencies that affected production efficiency. Further, the absence of professional human resource practices (compensation, benefits, salary scale, job advancement, evaluation and training) contributed to increased rates of turnover and absenteesim. Whenever a worker left the job, the costs associated to acquire a new recruit was substantial in terms of training and adaptation. Nevertheless, the loss of skilled permanent workers know-how was difficult and costly to replace. The financial consequences of dysfunctions at the production unit are illustrated in table 6.

Table 6

Hidden costs caused by lack of delegation to human resource non-family manager at production unit

Indicator of hidden cost	Frequency	Dysfunctions behind the Hidden costs	Detailed Calculation	Economic Impact
Reduced Productive Efficiency	Ongoing	Central decision by owner-ceo regardless of the human resource advise that team competency does not match productivity, directly reduced productive efficiency by 30% in the last 3.5 hrs. of operation	2workers*30%*3.5hrs/day*272 days/year* hcvavc=$88,764 12workers*30%* 6.5hrs/day*40days/year*hcvavc= $24,243	**$113,007**
Turnover of qualified labor	Turnover rate 23.53%	Unsatisfactory working environment due to the absence of professional human resource practices and job advancement. All promotions, compensation and benefits are based on random decisions by owner-ceo with an absent role for human resource manager.	2 supervisors *2hrs/day*6 days/week* probation period 12weeks* 4 workers*hcvavc= $29,837 4recruits*60%*8.5hrs/day* 6days/week*8weeks*hcvavc= $25,361.28 4recruits*30%*8.5hrs/day*6days/weeks*16 weeks*hcvavc= $25,361.28 2supervisors*1hr/day* number of absent days 103* hcvavc= $5,335.4	**$80,559**

High rates of Absenteeism	103 Absent days	Lack of motivation due to unpaid overtime, lack of work recognition, appreciation and unsatisfactory working conditions, lack of replacement. Present workers have to accomplish their duties and cover up for the absent worker, production efficiency is reduced by 25% per day.	Absences days 103*working hrs. per day 8.5* hcvavc =$22,675.45 Absences 103 days/year*1 hrs. extra*3 workers*hcvavc* = $8,003.1 17workers*25%* 8.5hrs/day*103days/year* hcvavc= $96,370	**$ 132,383**

The estimated economic impact of dysfunctions on production efficiency contributed to hidden losses in terms of revenue losses. Subsequent to the hidden costs results, the intevener provided attendees; owner-ceo, financial controller, human resource manager, and production manager with a thorough ‘expert advice’ report that presented the root causes of the diagnostic dysfunctions. The highlighted points were:

- ✓ Lack of delegation to non-family managers
- ✓ Lack of trust in non-family managers
- ✓ Lack of cohesion among top management team
- ✓ Centralized decision (owner-ceo) in human resource practices
- ✓ Unsatisfactory working conditions
- ✓ Production inefficiency
- ✓ Labor force Turnover
- ✓ Absenteesim

The presention of root problems created awareness for the need for management change and flexibility to design transformative management practices of delegation to non-family manager to accommodate the family business growth.

Participants’ engagement to formulate transformative actions

At this stage, the owner-ceo projected confidence about transforming the management practices of the family business. In response, a collaborative delegation plan was proposed to institute synchronized decentralization with clear rules for concerted delegation of authority through progressive transformation in owners’ involvement and control level. The process was developed by the human resource non-family manager and owner-ceo who together produced a human resource strategy that matched the family business growth potentials and incorporate concerted delegation of authority. The owner-ceo and human resource non-family manager met for several consecutive meetings and worked to institute a synchronized decentralization structure with clear rules of delegation over a period of one month.

The process progressed from full collaboration to full autonomy through four levels. At the first level decisions were taken by the owner-ceo based on consultation with human resource non-family manager. Then at the second level the human resource manager, after consultation with owner-ceo, developed plans for recruitment, selection criteria, incentive plans, compensation, evaluation, procedures and policies. Further, at the third level decisions were taken by the human resource manager based on observed facts to owner-ceo such as training programs and recruitment needs. Finally, at the forth level autonomous decisions related to daily activities to manage the working environment, labor force motivation and implementation of human resources strategy without owner-ceo involvement (see Table 7).

Table 7

Collaborative Delegation Plan Between owner-ceo and human resource non-family manager

Delegation Plan

Level 1	**Level 2**	**Level 3**	**Level 4**
Salary increase	Develop recruitment procedures	Plan Training programs	Follow up on daily human resource department activities
Budget for human resource department	Set up Selection Criteria	Forecast recruitment needs	Management of human resources
Legal issues	Develop evaluation procedures	Team leadership, resolve conflict	Implement human resource strategy
Final decision to hire or dissmiss	Develop compensation scheme based on performance	Leave requests, shorter working hours	
	Interactive social activities for personnel		
	Formulate human resource policies and procedures		

Collaboration → **Autonomy**

Level 1 - Collaboration; decisions are taken by the hierarchical superior after consultation

Level 2 - Decisions are taken by human resource non-family manager after consultation with owner-ceo-stage 2

Level 3 - Decisions are taken by human resource non-family manager with information a posteriori to the owner-ceo-stage 3

Level 4 -Full autonomy; decisions are taken by the human resource non-family manager without information from the owner-ceo

Subsequently, the human resource practices at the top management level were developed into actions plans for implementation at production unit. A project was initiated by the human resource manager and assigned under his leadership by the owner-ceo. Project members were a core group of non-family managers: head of production units, production units' supervisors and human resource manager. Participants were selected based on their direct involvement with human resources and practical expertise. The project was to develop human resource practices as a system of consistent practices rather than random actions by the owner-ceo. Table 8 summarizes the project transformative actions and objectives according to their relative domain 'theme' of dysfunctions.

Table 8

Transformative Action Plans at production unit

Transformative Action	Action Objective	Actions
Develop and implement professional human resource practices; based on action plans cooperatively developed between owner-ceo and human resource non-family manager	Reactivate the Role of Human resource non-family manager to: *Reduce Turnover *Build competent teams *Reduce absenteeism *Increase production efficiency *Reduce physical pressure *Increase labor force satisfaction and motivation *Rebuild labor force loyalty	*Develop a recruitment process & selection criteria. *Promotion and job advancements based on evaluation *Revise the salary base and new recruits benefits *Training program for supervisors and workers *Develop evaluation system Develop competent team numbers Incentive for work consistency and hard efforts

Findings and Interpretation

Prior to the intervention-research process the family business professionalized its top management team to benefit from non-family expertise to accommodate growth and sustain market leadership. However, the owner-ceo's high level of involvement, the risk of conflict due to interest divergence and the fear of control loss limited non-family managers' contribution in decision making and hindered their performance. The intervention made the owner-ceo aware that management practices that worked well in the past were insufficient to sustain the family business growth.

The quantified implications of lack of delegation highlighted the need for delegation to non-family managers. Consequently, a progressive delegation plan in decision making was introduced and implemented at the managerial level between the owner-ceo and the non-family human resource manager. A goal of the plan was to foster high-quality relationships between the two parties in which viewpoints would be recognized and decisions negotiated based on mutual trust and respect. The owner-ceo's fear of loss of control progressively diminished, since he encountered and supported the change**.** This relationship confirmed the literature findings that owner-managers are more empowering and dare to delegate important task to subordinates they trust more (Brower et al. 2009). The intervention guided the owner-ceo towards the transformation path. The progressive delegation allowed for the development of human resource practices which had previously been demanded yet were unapproved by the owner-ceo.

Progressive delegation led to the elaboration and implementation of action plans with production unit personnel as co-providers of information. Consequently, recovered hidden costs were transformed into productive efficiency. This supports the notion that a transformational process requires transformational leaders that influence followers to stimulate the performance level and allow it to succeed (Bass & Avolio, 1990).

In the intervention the intervener-researcher quantified a total of twenty nine hidden costs out of which eight hidden costs directly linked to lack of delegation to non-family human resource manager that served this paper purpose and generated hidden costs 'revenue losses' of $19,173 per worker per year. The human resource practices project was developed to elaborate and implement action plans designed by owner-ceo and human resource non-family manager. Concrete actions were implemented in a scope of almost one year. The contribution of the human resource non-family manager in decision making, progressively recovered hidden costs at the production unit into potential productive efficiency. This confirms that enhancing non-family manager's value-creating attitude is essential to ensure long term prosperity of the family business (Block, 2011). A change of culture and practices usually entails a process of one or two years. Due to the intervention time limit, evaluation of implemented actions was conducted after a period of eight month to reveal enhanced productive efficiency and reduced absenteeism that contributed to hidden costs reductions. Table 9 represents the generated financial gain based on implemented actions.

Table 9

Recovered Hidden Costs

Actions	**Dysfunction**	**Qualitative Gain**	**Quantitative Gain**	**Financial Gain (Recovered Hidden costs)**
Developed competent team numbers based on: 1-recruitment criteria 2- evaluation process 3- on the job training	Lack of team competencies lead to daily productive efficiency reduction of 30% for 3.5 hrs. daily	Build competent team Training improved the labor skills and enhanced their confidence. Increased motivation	Production efficiency per team recovered by 20% Over time is reduced by 3 hour	**$75,338**

		Cohesion among team members		
Developed financial benefits/compensations: 1-Employer of the month compensation 2-Adjusted salary scale for all workers 3-Paid over time 4- Salary raise between 4% to 8% based on evaluation	High rates of un-notified absences Absence of replacement Increasing turnover of skilled labor	Increased satisfaction and motivation of workers due to appreciation of granted promotion based on Evaluation Increased cohesion among team members Workers applied for unpaid leaves instead of un-notified sick leaves	**Reduced absenteeism** by 3%	**$3,854**

The generated financial gain of $79,192 indicated a recovery in revenue losses. These hidden cost reductions represented empirical evidence that progressive delegation practices to non-family human resource manager based on cooperation were able to convert hidden performance losses into value-added activities. That enhanced the family business socio-economic performance to sustain growth and expansion. Thus, delegating decision making to agent possessing relevant information to a given decision can benefit the firm, confirming earlier findings by Geanakoplos and Milgrom (1991).

On the qualitative level, compensations, salary scale adjustments, evaluation, paid overtime and team competency development improved the labor force motivation and satisfaction levels. Also, the sense of appreciation, recognition and fairness fostered cohesion among team members which translated quantitatively into twenty percent production efficiency recovery and three percent absenteeism reduction. These results confirm that delegation of authority founded on the basis of high qualified family and non-family managers' suggestions, recommendations and capabilities contribute to family business growth (Feltham & Barnett, 2005). This research also confirmed that production performance is directly linked to workforce competencies (Ongori & Temtime, 2010) and compensation and benefit are crucial to both the employers and employees as it plays a key role in employment relationships (Gerhart, et al., 1995).

Limitations

This research confronted two limitations. First, hidden costs related to products quality were not calculated, dysfunctions effect on products quality was regarded a taboo to preserve the product image. Second, at least a year is required to track concrete changes in management practices, due to time constraint of the intervention the evaluating was conducted within a period of eight months.

Conclusion

This research showed the effectiveness of intervention research as an integrated process that guided the owner-ceo towards progressive delegation of decision making to non-family managers. The findings revealed to owners' lack of delegation at managerial level generated dysfunctions down the line that affected the production unit productivity, "the core of the family business". These dysfunctions led to financial expenses, "hidden costs" that were unaccounted for in the family business financial statements. The unrecognized revenue losses stimulated the owners to develop a collaborative delegation process based on negotiation and discussion of decision-making. That enabled the owner-ceo to create cohesion with the human resource non-family manager and to build a relationship based on earned trust. This phenomenon progressively transformed the owner-ceo's mindset and attitude towards delegation practices as he encountered the change and maintained control of the process. Applying the socio-economic intervention research enabled the owner-ceo to overcome the fear of control loss and lack of trust and to eliminate interest divergence through collaboration.

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