

Family Firms: The Family Leadership Style that Matters



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Leadership in family firms has gained additional erudite attention as a result of its distinctive leadership and structure setting. supported this, our study provides an inspiration of family leadership by configuring family involvement and family leadership over a discourse leadership style that envisages context and dynamics of internal and external environment. Shaping a conceptual framework by reviewing current studies is predicated on a study of literature that focuses on family involvement and family leadership components specific to family enterprises. This study adds to the body of information on family leadership by reaffirming the basics of involvement and leadership.

Keywords: Family Business, leadership styles, Family Involvement, Family Dynamics

1. Introduction

The COVID-19 pandemic has inadvertently impacted the family business, exacerbating business and health issues for family business leaders (Massis and Rondi). Unforeseen deaths left a leadership vacuum. In a rush, the family appointed a family member who was not fully prepared, which caused problems for both the family and the business. This is common in family enterprises as the next generation is not guided towards a leadership style that is imperative for management. Some researchers believe that this is due to an inefficient succession of leadership, which is often seen as an intra-family process that needs to be right, planned, and executed to ensure a seamless transition that is conducive to the next generation.

(Cabrera et al., 2020), However, in our view, this is the result of a lack of understanding and practice of the leadership style, which is influenced by heads of families and family members, either in the form of interaction with the top management team and within the family through family involvement.

Another noteworthy characteristic is the existence of the family, business, and ownership, which leads to heterogeneity and changes the leadership framework in such an organization. Against this backdrop, the research enquires how these three characteristics interact to influence the family leadership-contextual dynamic leadership style. Based on this, the study aims to highlight the literature that supported the creation of the conceptual framework for family firm leadership

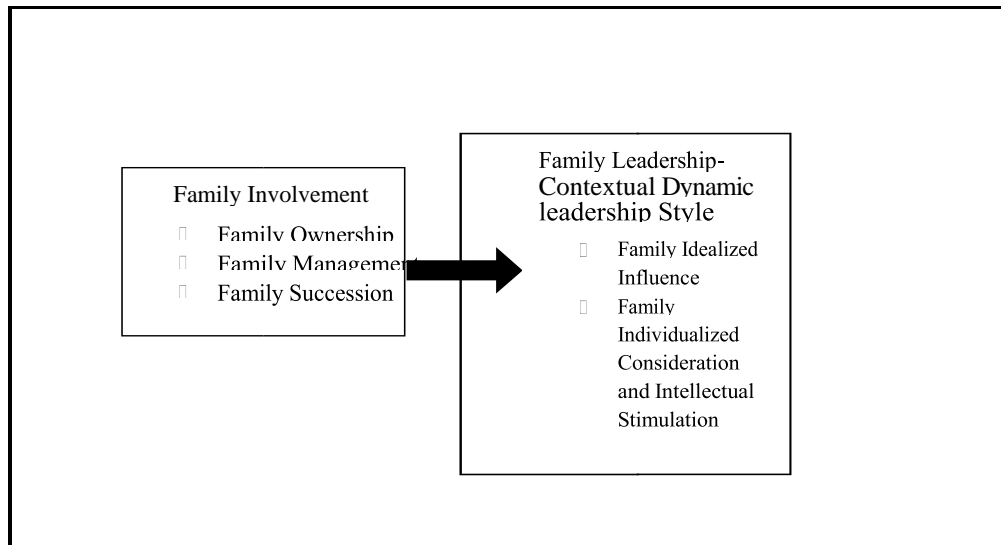
2. Family Business Leadership

Given controlling ownership, management, emotional considerations, and long tenures in family businesses, leadership has been conceived in the literature as an influence of the founder manager, top management team, and succeeding generations over family and business (Gómez-Mejía et al., 2011). Family business intellectuals adapted the concept of leadership styles to family businesses and demonstrated that family business leaders not only possess various characteristics that create specific types of leadership styles, but they also express themselves differently (Dyer, 1986). In the modern environment, it has been widely accepted by scholars and practitioners that family leadership through contextual dynamic leadership style plays an overbearing role in achieving family-centric goals; by this means, it is essential to carry out further research on family leadership style.

Available literature has acknowledged the existence of leadership behavior, style, and antecedents (Fries et al., 2020). Family involvement stands out among other research as a remarkable study that defines involvement in three areas: family ownership, family management, and family succession, all of which have an impact on family leadership. This requires more research on the relationships among researchers.

Further to the above, the conceptual framework provides offers a succinct explanation of a concept of family participation and family leadership (Exhibit 1).

Exhibit 1 Family Business Leadership Conceptual Framework - Family Involvement & Family Leadership - Contextual Dynamic Leadership Style



Source: Authors

3. Family Involvement

The family involvement of the family members on the management team belongs to the family and the company influences future generations by combining ownership, management, and succession (Chrisman et al., 2012). The details around it are provided below.

3.1 Family Ownership

Family ownership is the ratio of ownership rights to the percentage and equity that family members own to control the business. Ownership is generally narrow and concentrated, in other words, the family owns the business by an absolute majority, Essentially, the family that owns the enterprise exercises family governance over the affairs of the enterprise, which makes these enterprises unique then in non-family enterprises (Villalonga & Amit, 2006). Previous research has identified some family ownership groupings such as "family members own the business" (Peng & Jiang, 2010) and "family control and independence are maintained" (Gómez-Mejía et al., 2007). The following is evidence that comes from both family ownership and family leadership combined:

- higher degree of motivation to manage the firms
- monitoring of employees' duties
- encouragement of goal-setting and performance

(Chung, HM & Chan, ST, 2012). A display of family ownership rights typically exercises control and influence over a business and its employees (Miller et al., 2007), Thereafter, allow families to use unfettered discretion in making business decisions (Chen & Chen, 2014).

3.2 Family Management

Family management is a representation of family members involved in decision-making typically senior management teams in the form of senior managers who embody a group of power (Massis et al., 2015). According to the study, "the management of a company consists solely of family members." (Herman et al., 2016). Verifiable evidence suggests that family management and family leadership are inextricably bound together.

- determine the emotional connections between family and work
- Strengthens the effect of family members on the expansion of the company

(Berrone et al., 2012). A demonstration of family involvement allows them to influence the decisions of molding strategies, behaviors, and goals that shape an organization's ecosystems. (Chrisman et al., 2012).

3.3 Family Succession

Family succession is the process of identifying a successor from the next generation in the family, Family succession is the process of identifying a successor from the next generation in the family, and in some cases inter-generationally. In general, power is transferred from an outbound head to a new one. Specifically, leadership transition through leadership succession Studies show that younger generations frequently post;

- willingness to inherit family assets (Ward, 2004).
- Heritage for continuity and sustainability (Zhu et al., 2016)

Prior research has marked the classification "a number of family members are involved in the management of the enterprise and think in terms of generations" (Amaia et al., 2019). The intentions of the next generation to inherit stimulate the behavior of family enterprises with family leadership. Generally, family managers are aware of these events and therefore invest in making future generations aware of the family and the business. In this way, it aids the family in renewing family bonds with extended family members, thereby promoting dynastic succession (Berrone et al., 2012).

4. Family Leadership- Contextual Dynamic Leadership Style

In a family enterprise, coalition leadership is based on stakeholder theory (Mitchell et al., 1997). Implies that a family's engagement in the ownership, administration, and governance of a firm gives it authority and legitimacy to influence, resulting in diverse aims, behaviors, and outcome variables (Chrisman, Chua, et al., 2005). Based on this, some researchers applied the concept of leadership styles to family firms, demonstrating that family company leaders not only have various proclivities to acquire particular types of leadership styles, and they often appear distinctively (Dyer, 1986). Besides, Due to the distinctive organizational circumstances that predominate in such businesses, family firms are unusual and unique in organizational settings as a result of which, studies in organizational context have been important in management research for several decades (Rousseau & Fried, 2001).

The current focus of theoretical and empirical leadership research is on what way contextual factors affect leadership and its outcomes (Ayman & Adams, 2018). Incidentally, an expansive branch of leadership research known as "contextual leadership research" looks at whether contextual or situational contexts influence leadership behavior (Day & Antonakis, 2012).

Many people believe that the context exists outside of leadership, but it includes both internal and external elements (Collinson & Grint, 2005). Internally, it is made up of microelements that are contextualized within the family. External, on the other hand, includes macro elements which are contextually external, market-driven, and specific to the nature of the business being conducted. Seeing this, our conceptual framework revealed that dynamics are linked to family and leadership, therefore, it is termed as "Family leadership- contextual dynamic leadership style". In light of this, the components that represent the work are as follows;

4.1 Family idealized influence

Family leaders display behavior that serves as an example for their followers. These leaders are revered, trusted, and respected. Leaders are admired and looked up to by followers. Further, it equates as follows;

- transmits a sense of honor, pride, and value to generations by communicating the vision (Bass & Steidlmeier, 1999).

4.2 Family Individualized Consideration and Intellectual Stimulation

Family individualized consideration refers to illustrating a genuine concern for followers' needs and emotions. This one-on-one interaction with each follower is critical for eliciting their best performance and maximizing their leadership potential. Intellectual stimulation, on the other hand, refers to the extent to which family leaders challenge assumptions, take risks, and solicit ideas from followers. Through stimulation, creativity, and innovation, they recognize followers. Research extents as prescribed below

- mindful of the needs of the generations and gives them critical functions and strategic initiatives that will help them develop personally
- teaches generations to seek logical paths and to examine a circumstance and family leadership stimulates followers to be imaginative and innovative. (Bass, 1985)

5. The Way Forward

Based on an investigation into family firm leadership, it was discovered that it all begins with family involvement, family members being involved in business, and family influencing the generations through a congruence between ownership, management, and succession, resulting in impacting the generations through legitimacy and power with family members coalited with leadership. Also, such firms have become accustomed to vulnerable circumstances that are unique to organizational settings, such as Covid-19, the sudden death of a family manager-leader, family dynamics, and wealth preservation, all of which could be attributed to micro internal elements and market-driven, as well as specific to the nature of business as macro, driven to external contextual elements. In this instance, our research primarily reflects contextual leadership studies, similar to those conducted in industries like education and the military. Taking them into account, we propose family firms in that they deliberate the contextual factors that affect leadership and its outcomes in such a setting, resulting in the development of a family firm leadership model and thus filling a research gap.

Furthermore, more study is necessary to broaden our understanding of family involvement and family leadership categories that are specific to the contextual dynamic leadership style. In family firms, family involvement is a unique concept for which researchers are eager to continue working on establishing the relationship. Moreover, one of the several well-known areas of study in leadership research at the moment is contextual leadership (Dinh et al., 2015). Our research serves as a stepping stone to consider the internal and external elements; increased research is needed to investigate other elements that impact, bearing in mind unmapped territories and regions. However, grounded on our conceptual framework studies have necessitated exploring hypotheses and testing. Since studies are specific mainly towards Asian countries, though, it is applicable to other regions as well.

6. Conclusion

The importance of family firm leadership has been acknowledged, but research has mainly concentrated on well-established leadership theories without as the fact that family firms are distinctive due to their organizational settings. At this time, people are more aware of the external influences on family firms. Additionally, adjusting via the dynamics of leadership with us, contend that a well-known leadership theory misses the significance of family in family firms. With specifically identified this gap by incorporating an essence from the existing body of literature, which closes the gap by identifying the process of family involvement that affects family leadership.

To introduce the structure of the conceptual framework of family firm leadership, which further includes the categories of family ownership, family management, and family succession under the heading of family involvement. Family leadership, on the other hand, is a contextual dynamic leadership style that includes the components of family idealized Influence, family individualized consideration, and intellectual stimulation.

The work represents, first and foremost, family involvement in which family members configure family leadership of generations through the coalition and congruence of leadership practices. Second, our framework combines context and dynamics, resulting in a contextual dynamic leadership style. Third, in order to bridge the gap that can handle any such context and dynamics, our work has drawn on both the existing theory of family firm and leadership theory. With this in place, senior family members or family members will be able to raise and develop future family roles. The ideas and perspectives presented will help to thoughtfully organize existing work on family leadership and will spark conversations with in area of family firm and leadership.

7. References

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