Literature Review: Leadership Competencies in Family Business

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Abstract

The family business is a burgeoning area of study, and it is encouraging that more scholars study leadership under the lens of leadership competencies. The literature is replete with examples of how families manage their businesses. Still, recent research is lacking on what skills, behaviors, and competencies are necessary for savvy family leaders to be effective in achieving the desired outcomes for the organization. This literature inquiry aims to identify key themes and trends and why they are essential to the field. A literature search shows key competencies in respected mainstream, peer-reviewed journals, which reveals the continuous evolution of the family firm as a viable research paradigm.

Keywords: family firm, family business, family business leadership, family-owned, family-led, leadership competencies, leadership style, leadership behavior

Leadership Competencies in Family Business

This literature review will discuss the unique modality of leadership competencies in the family business and determine what core competencies are relevant in each leadership style concerning the formulation and outcome-related issues regarding decision making, diversification, growth, and succession. Family business research has been growing over the last decade, but it is still an emerging study area (Benavides-Velasco et al., 2013). The literature is replete with examples of how families manage their business, but the discipline has been largely ignored until the last decade. In its early years, family business research fell into other cohorts, such as the small business and sociology category, neither of which allowed a sharp focus on this fascinating discipline.

Leadership in family-run firms is unique from other types of firms, given the emotional considerations of family firm leaders (Fries et al., 2021). In addition, a family-owned leadership often has higher levels of influence on the organization, and their comparatively long tenures are different than today's constantly shifting organizational leadership appointments (Fries et al., 2021). For example, scholars report that family firms are more likely to exhibit a transformational leadership style, which implies implementing a clear vision for the company (Vallejo, 2009; Conger & Kanungo, 1994; Fries et al., 2021). Likewise, researchers postulate that family firms are more likely to experience certain family firm leadership behaviors sure to their idiosyncratic leadership setting, such as paternalistic leadership behavior and even autocratic or authoritarian leadership styles (Mussolino & Calabrò, 2014; Fries et al., 2021). Moreover, scholars have likened key competencies for family firm leadership that include many outcomes, including innovation, problem-solving, developing others, vision and planning, conflict resolution, and valuing diversity (Fries et al., 2021).

Methodology

An initial reading of the literature on "family firm leadership" revealed that this topic focused on leadership styles in family firms, referring to the constructs developed in the general leadership literature (Fries et al., 2021). Based on this initial finding, this author decided to relate keywords to the literature review to identify relevant research on leadership competencies and behaviors in family firms. This author followed the nine-step process for a literature review as described by Tranfield et al. (2013), which includes planning, conducting, and reporting. The focus is on peer-reviewed English publications in academic journals. It contains the following keywords: "family firm" or "family business" or "family business leadership," or "family-owned" or "family-led" and "leadership competencies," and "leadership style" or "leadership behavior."

Family Firm-Specific Leadership Styles, Behaviors, and Competencies

Dryer (1986) identified seven general leadership cultures that are today commonly referred to as the family leadership styles: autocratic, expert, laissez-faire, participative, referent, transactional, and transformative leadership styles. Within these styles, several core leadership competencies and behaviors are present within a family firm's leadership. They are: motivating others, interpersonal communication, honesty, and integrity, problem-solving, developing others, vision and planning, creativity and innovation, conflict resolution, and valuing diversity (Fries et al., 2021; Canovi et al., 2022).

Motivating Others

Good leaders are influential in rallying other people together to achieve a common goal. Using interpersonal skills and communication, a family leader can understand what motivates people and use that to encourage productivity. Canovi et al. (2022) suggest that transgenerational entrepreneurship has been conceptualized as the "process through which a family uses and

develops mindsets and family-influenced capabilities to new streams of value across generations. At the same time, the motivation and commitment of next-generation family members towards the family are crucial determinants of their decision to pursue their careers and succeed in the family firm (Canovi et al., 2022). This motivation can provide a willingness to innovate, take risks, and a tendency to be aggressive e toward competitors and be proactive to marketplace opportunities (Canovi et al. 2022).

Interestingly, motivation is more than a financial bottom line. Though the literature is dated, it is still relevant to this review as motivations in the family business have been found to go well beyond self-interest and material goals (Pieper, 2010). Emotional returns generated from owning a business, continuing a legacy, being an independent business, and working as a family are of at least some, if not greater, importance than financial returns (Pieper, 2010).

Communication

No matter the type of organization, interpersonal communication is a crucial leadership competency. The skill involves the ability to identify, understand, and anticipate the emotions, concerns, and thoughts of others. Barbera et al. (2020) maintain that leadership is built on interpersonal relationships that exhibit cohesiveness resulting in shared purposes and consensual decision-making. This interpersonal awareness allows family business leaders to reach others' feelings based on verbal and non-verbal behavior and develop a leadership style that is best situated with the firm's outcomes. Furthermore, intergenerational communication can be the key to successive succession planning in a family firm and allows leadership to deal with conflicts within the family system (Leiß & Zehrer, 2018). Therefore, conflict resolution is a crucial competency of family business leadership. It will be discussed within this literature review, but the ability of a leader to recognize the importance of effective communication leadership

strategies can include discussing ideas, giving feedback, and intergenerational learning, thus developing a shared understanding of vital succession issues (Leiß & Zehrer, 2018).

Honesty and Integrity

The landscape of contemporary family business is continually changing (Barbera et al., 2020). Nevertheless, religion remains an important source of values that inform the decisions of business leaders' honesty and integrity (Barbera et al., 2020). First, religion is known to have a powerful influence on leaders' work behavior, attitudes, and perceptions, often passed along through other stakeholders in the firm (Lynn et al. 2011; Regnerus and Smith 2005; Barbera et al. 2020). For example, improved strategic decision-making, aligning values and corporate vision, and moral leadership ethics have all been positively correlated (Barbera et al., 2020). Second, by shedding light on how religious values are cultivated across multiple generations in business families, the literature showcases how it contributes to the understanding of essential antecedents of values-based leadership which complements the extant literature that mainly focuses on its consequences (Kalshoven et al. 2011; Barbera et al. 2020).

Problem Solving

All business leaders need to become adept at solving problems eventually. Good problem solvers take a proactive approach to address issues within the family firm and develop solutions that benefit not only the stakeholders but also the goals and outcomes of the organization (Williams et al., 2017). Furthermore, solid family leadership will empower employees to seek information that improves their ability to devolve and assess various logical solutions (Williams et al., 2017). Therefore, when problems arise, good problem solvers quickly prevent the escalation of conflict between employees and others involved in the firm (Williams et al., 2017). The research of Mzid et al. (2019) is particularly relevant, which found that organizational agility

and resilience became vital. The study found that the social capital of family firms, which may

be composed of local and international contacts, contributes the most to firms' ability to absorb

shocks, reallocate existing resources, and internalize practices that allow firms to cope with

future disturbances. Furthermore, the study found that financial capital is primarily determined

by social capital and the human capital of family firms (Mzid et al., 2019).

Developing Others

A core leadership competency in family firms is the ability to see the potential in others.

Gone are the days of authoritarian or autocratic leadership styles where top-down processes

effectively manage the contemporary business (Moldoveanu & Narayandas, 2019). A family

leader's ability to impart knowledge development to help people grow and develop their skills is

paramount to success and other organizational objectives (Moldoveanu & Narayandas, 2019).

Savvy leaders recognize that every employee has different experiences, beliefs, values, and goals

(Astrachan et al., 2020). Great leaders treat every person in the organization with great care.

Vision and Planning

Creativity creates an atmosphere that is open to new ideas and innovation. Leadership can

encourage others to question the status quo, implement new processes when necessary, see

problems from new perspectives, and generate helpful insights into issues (Porfírio et al., 2020).

Family business leaders devote sufficient time to developing their intellect and creating

inspiration (Sharma et al., 2019). A savvy leader strives to become a mentor and later an

inspirational leader that can generate a vision and a value-centric organization where their

followers can learn, grow, and thrive. Ethical leaders encourage follower participation within the

organization and create values such as belonging, achievement, concern for others, and humility

(Sharma et al., 2019). In turn, the organization can parlay these characteristics to create an

environment of transparency, positive energy, and good behavior toward others connected to inspirational leadership from within the firm (Sharma et al., 2019).

Conflict Resolution

At some point, there will be conflict in a family business. A savvy business leader has the skills and competencies to find resolutions that satisfy everyone involved in the disputes (Qiu & Freel, 2020). Conflict can come at an exceptionally high cost in family firms because family members are 'locked' into the firm, making conflicts more persistent and interests more challenging to align" (Pieper, 2010). Moreover, a family leader who recognizes conflict can stave off potential harmful relationships that can impact the organizational culture and create a clear vision that encourages communication and situational problem solving (Williams et al. 2017).

Valuing Diversity and Family Values

Every person in a family firm has unique values, experiences, and goals (Barbera et al., 2020). Good leaders create inclusive workplaces where everyone feels valued and accepted. Savvy family business leaders acknowledge everyone's unique contributions and insights, leveraging them to further the organization's objectives (Moldoveanu & Narayandas, 2019). Including morally binding values such as religious—or in a broader sense, spiritual— fundamentally alter organizational decision-making and ethical behavior. Family firms, being a particularly value-driven type of organization, provide ample room for religious beliefs to affect family, business, and individual decisions. The influence the owning family can exert on value formation and preservation in the family business makes religious family firms an incubator for value-driven and faith-led decision-making and behavior (Astrachan et al., 2020).

Summary and Conclusions

It is encouraging that more scholars are studying leadership under the family business lens (Fries et al., 2021; Canovi et al., 2022; Moldoveanu & Narayandas, 2019; Payne, 2018). A literature review shows essential leadership competencies and how they interplay with successfully implementing processes to achieve shared outcomes. This literature review shows relevant perspectives that have been developed and utilized to explore essential leadership competencies and how savvy business leaders can develop others to become influential leaders for the family firm (Payne, 2018). Importantly, it is encouraging to see that religious values are a cornerstone of family business leadership. Moreover, the inclusion of morally binding values, such as religion, fundamentally alters organizational decision-making and ethical behavior (Astrachan et al., 2020). The influence that the owning family can exert on value formation and preservation in the family business makes religious family firms an incubator for value-driven and faith-led decision-making behavior that can give the firm a competitive advantage in the marketplace (Astrachan et al., 2020).

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