



Paternalistic leadership in family firms: Types and implications for intergenerational succession



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ABSTRACT

This article demonstrates how the various paternalistic leadership styles practiced by predecessors influence the attitudes, subjective norms and perceived behavioural control of successors in family firms and the extent to which these factors influence a successor's perceptions of the quality of the succession process. Stemming from the theory of planned behaviour, our conceptual model integrates previous findings into a comprehensive, two-sided analysis, capturing factors associated with the outgoing and incoming generation. We use the central construct of paternalism to formalise more accurate scenarios of a successor's intentions and behaviours related to the transfer of leadership. This study serves as a foundation for future empirical studies investigating the effects of paternalism in the family business context.

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1. Introduction

Family firms are a unique setting in that their leaders seek to preserve the family's socioemotional wealth and create a legacy for their children, as the next generation may control the firm and inherit the family's wealth in the future (Miller, Steier, & Le Breton-Miller, 2003; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano Fuentes, 2007). However, the way in which control in family firms is transferred to leaders from the next generation can systematically, and potentially destructively, impact the survival of these firms across generations (Miller et al., 2003). In fact, the 30/13/3 statistics on success in intrafamily business succession (Ward, 1987) have been the dominant concern of academics and consultants in the field of family business research (Zellweger, Sieger, & Halter, 2011).

Succession in family firms, the process of transferring managerial control from one generation to the next, poses numerous challenges (Miller et al., 2003; Chua, Chrisman, & Sharma, 2003). In their recent review, Yu, Lumpkin, Sorenson, and Brigham (2012) find that succession remains a defining feature of the field, with important advances made in the 1990s that allowed for more systematic studies of succession (Sharma, Chrisman, & Gersick, 2012). However, the literature on succession has separately examined the characteristics of successors, founders and succession processes, omitting other factors that influence the success of succession events

(Blumentritt, Mathews, & Marchisio, 2013). Unsurprisingly, prior studies have called on future scholars to address the uncertainty that remains regarding the critical factors that influence succession to enhance our understanding of successful leadership transitions in family businesses (Wright & Kellermanns, 2011).

Our research draws upon previous studies that have addressed intergenerational succession in family firms, examining the factors and processes that affect the long-term survival of such firms (e.g., Le Breton-Miller, Miller, & Steier, 2004; Sharma, Chrisman, & Chua, 2003a; Shepherd & Zacharakis, 2000). Prior research indicates that founders who maintain an influence after having largely removed themselves from operational responsibilities (Davis & Harveston, 1998) can negatively affect successors' job satisfaction and the overall success of succession (Sharma, Chrisman, Pablo, & Chua, 2001; Sharma et al., 2003a; Sharma, Chrisman, & Chua, 2003b). Additionally, the entrenchment of previous generations can be problematic because it inhibits the ability of successors to make necessary strategic adjustments (Sharma & Manikutty, 2005). Nevertheless, in other empirical studies the predecessor has been found to act as a mentor, allowing his/her tacit knowledge of the business and family-specific social capital to be passed on the next generation (Wasserman, 2003; Handler, 1994).

Therefore, we identify a gap in the literature; although there are calls to investigate the effect of a predecessor's leadership style on the success or failure of the succession process in family firms, prior results on the topic have been superficial. Extant research examines the degree to which the founder influences organisational culture, focusing on the effect that organisational culture has on either promoting or constraining dynamic

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capabilities within and across generations (Chirico & Nordqvist, 2010; Sharma & Manikutty, 2005; Zahra, Hayton, & Salvato, 2004). However, this does not explain the contingencies that exist to ensure the quality of the succession process and the successor's satisfaction with this process.

Our article attempts to use the construct of paternalism as a basis for addressing important questions in family business succession from a more comprehensive perspective, as paternalism has been found to be a common aspect of organisational culture in family firms (Chirico, Ireland, & Sirmon, 2011; Dyer, 1988; Johannisson & Huse, 2000) that has implications for the behaviour of the next generation of family members. In line with the suggestions of prior studies, we investigate the desire for transgenerational control, as opposed to simply considering the succession process, and their profound effects on behaviour in family firms (Chrisman, Chua, Pearson, & Barnett, 2012).

Paternalism is the practice of exhibiting excessive concern for others in a way that interferes with their decisions and autonomy. Paternalism can have negative and positive ramifications, depending on its type: in some instances, it is regarded in a negative, destructive light, as “problematic and undesirable” (Uhl-Bien & Maslyn, 2005), while in others it is considered beneficial for performance when properly managed and an “effective strategy” that promotes value creation (Pellegrini & Scandura, 2006). Therefore, we aim to demonstrate that the paternalistic leadership style is not necessary detrimental to organisations, leading to inefficiencies, as previous scholars have claimed – “[...] family firms that favor paternalism can end up shaping an under socialized governance structure for both their household and later their firm [...]” (Lubatkin, Durand, & Ling, 2007); “[...] if an out-group child perceives his/her parent's altruism as paternalistic, whereby the parent acts generously so as to coerce the child, the child's deviance may become more pronounced [...]” (Eddleston & Kidwell, 2012) – but it could improve performance and favour the succession of a family member by influencing (either positively or negatively) the intentions and behaviours of the subsequent generation during the succession process.

During interviews conducted for this study, three family members who took control of family firms made the following statements that demonstrate our approach and provide an introduction for the topic we will investigate:

[...] I have always felt that my father encouraged me to work in our business, because he had the idea that I could easily learn how to manage the firm by drawing on his experience. He was not an altruist, at least this is not the right term; he was protective, forward-looking, and a very involved leader in a benevolent sense. He has always thought that if I joined the business, I would be more likely to learn faster and easier from him than in another firm, mainly because he was originally a teacher, and he has helped me to find my own way to do my job [...].

[...] It has been so frustrating to be the CEO while still waiting for my father to make decisions. Both in the family and in the business, he has always expected strict obedience to his authority. He was a great leader with a very successful firm and a very respectful family and I admire his toughness and his success, but I still think that a firm is a result of several people's work, and as a family business he should have had in mind that the firm would continue under another family member's governance (in this case mine), and he should have prepared me and everyone to help this firm survive. Instead, he still thinks that he has the last word [...].

[...] Together, my parents built a business in the construction industry and they did very well. After my dad's death and a very

tough period for both the family and for the business, my mother has become a leader gained the respect of all the employees and family members through her kindness, humility, listening and dialogue, religious beliefs and personal truthfulness. She is an example and a model to follow and even since I became the CEO of our family business, I still refer to her past experience to make the right decisions [...].

Each of the above-reported quotes demonstrates that a predecessor's leadership style might have an influence, either positive or negative, on the behaviours of next-generation family members. The first and last quotes illustrate a successor's positive experience of her/his predecessor's leadership style, while the second quote clearly demonstrates the successor's dissatisfaction with his role and the degree of autonomy he has in the decision making process of the family firm.

We shed light on these scenarios and fill a gap in the literature by answering research questions (Eddleston, 2008) such as how does the predecessor influence the successor's behaviours and intentions during the succession process in family firms? Does a paternalistic leadership style better prepare the next generation for succession? Are benevolent predecessors more likely to provide the basis for a successful leadership transition? Why might paternalistic leadership be not effective in family firms?

To understand the successor's behaviour, the present research draws on the framework of the theory of planned behaviour that explains the nature of behaviour-specific factors and is able to predict behavioural outcomes using perceived behavioural control and behavioural intentions.

Drawing on the theory of planned behaviour and the construct of paternalism and their application to the family business context (e.g., Ajzen, 1991; Fishbein & Ajzen, 1980), we propose a theoretical model of how a predecessor's use of different paternalistic leadership styles – benevolent, authoritarian and moral (Pellegrini & Scandura, 2008) – influence the attitudes, subjective norms and perceived behavioural control of the successor in family firms and how these relationships affect the successor's perceptions of the success of the succession process.

The model we develop in the following sections considers how firms owned by members of the same family develop and/or pursue a formal or implicit vision for the business when the business is about to be or has already been placed under the management and/or control of a family member (Chua, Chrisman, & Sharma, 1999; Sharma et al., 2001). Therefore, the model developed in this article focuses on intra-family management succession, as a first step to investigate the role that the different types of paternalism practiced in family firms has during the transfer of leadership and decision-making power to a successor family member. In developing our model, we explicitly consider the positions occupied by outgoing and incoming generations according to the three circle model (Gersick, Davis, Hampton, & Lansberg, 1997) and assess the effect of paternalism on the incoming generation's behaviour and perceptions over time, as ownership becomes dispersed among family members and across generations.

To investigate this issue and allow for a more sophisticated understanding of the influence of paternalism, we propose a conceptual framework incorporating thirteen propositions related to the key dimensions of the model. The antecedent and independent variables are the different paternalistic leadership styles (benevolent, authoritarian, moral) practiced by the predecessor, as defined by Pellegrini and Scandura (2008), and the successor's behavioural, normative and control beliefs (Ajzen, 1991; Fishbein & Ajzen, 1980). The model's dependent variable is the successor's perceptions of the success of the succession process

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