

**LEADERSHIP AND LEADERSHIP DEVELOPMENT ISSUES IN
FAMILY BUSINESSES**

BY

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DECLARATION

I declare that this research study is my own unaided work. It is submitted in partial fulfillment of the degree of Master of Business Administration for the Graduate School of Business, Natal University. It has not been submitted before for any degree or examination in any other university.



Zahier Ahmed Mayet

On this 17TH day of JUNE 2003

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ABSTRACT
LEADERSHIP AND LEADERSHIP DEVELOPMENT ISSUES IN FAMILY
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This dissertation examines leadership and leadership development issues in family businesses. The data was collected during late 2003 through qualitative surveys and interviews with family businesses in South Africa. Research findings indicate family business leaders place high importance on selection and development of the next generation leader. The ability and desire of the next generation to lead the business is of concern to family business leaders as is the senior generation's ability to let go during transition. Non-family employees are valued as contributors to business success. Gaining the respect of employees is valued as an important aspect of next generation leadership development. Leadership development across generations in family businesses also occurs by the example and values of previous generations. Leadership development involves entering the business at a young age, learning to work hard, acquiring formal education, gaining independent work experience, and engaging in continuing education. Family business leadership needs for education and research include working with family and business dynamics, education in functional business areas, models for effective leadership transitions, forums for peer interaction, and tools for dealing with ownership and estate transitions. Stories told and retold in family businesses reflect sacrifice, financial and legal crisis, and disasters. The leadership lessons of these stories center on hard work, persistence, vision and values, and recognition that the family business is about more than money. Conclusions include that leadership development in family businesses occurs through a synthesis of example from previous generation(s), work experience, and the process of earning employee respect. Recommendations are made for future research on (a) the role of example in family business leadership development, and (b) how stories play a role in passing on values to succeeding generations in family business.

TABLE OF CONTENTS

| | Page |
|---|-------------|
| CHAPTER 1: INTRODUCTION TO THE STUDY | |
| 1.1. Introduction | 1 |
| 1.2. Background of the Study | 1 |
| 1.2.1. The Family Business | 2 |
| 1.2.2. Transitions in Family Business | 3 |
| 1.2.3. Leadership in Family Business | 3 |
| 1.2.4. Next Generation Leadership Development | 4 |
| 1.3. Statement of the Problem | 5 |
| 1.4. Purpose of the Study | 6 |
| 1.4.1. Research Questions | 6 |
| 1.5. Definition of Key Terms | 6 |
| 1.6. Overview of Methodology | 8 |
| 1.7. Limitations | 8 |
| 1.8. Summary | 8 |
| CHAPTER 2: LITERATURE REVIEW | 9 |
| 2.1. Introduction | 9 |
| 2.2. Search Process | 9 |
| 2.3. Family Business | 10 |
| 2.3.1. Defining the Family Business | 10 |
| 2.3.2. The Rational Approach | 12 |
| 2.3.3. Systems Interactions | 13 |
| 2.3.3.1. Family and Business Systems | 13 |
| 2.3.3.2. Life cycles of Family and Business | 14 |
| 2.3.3.3. Family Interactions | 16 |
| 2.3.4. Family and Business Systems Summary | 18 |
| 2.4. Leadership and Family Business | 18 |
| 2.4.1. Leadership Theory Summary | 18 |

| | |
|---|----|
| 2.4.2. New Leaders for Changing Times | 23 |
| 2.4.3. Family Business Leadership | 25 |
| 2.4.3.1. Effective Family Business Leadership Styles and Characteristics | 27 |
| 2.4.3.2. Leadership and Life Cycles | 28 |
| 2.5. Next Generation Leaders | 29 |
| 2.5.1. Nepotism and Next Generation Leaders | 31 |
| 2.6. Leadership Development | 33 |
| 2.6.1. Assessment in Leadership Development | 35 |
| 2.6.2. Lifelong Learning | 36 |
| 2.6.3. Learning Organisations and Leadership Development | 37 |
| 2.6.3.1. Stories as a Language of Leadership | 38 |
| 2.6.4. Experiences that Mould the Leader | 41 |
| 2.6.5. Values and Ideals Transference | 42 |
| 2.6.6. Leaders Creating Leaders | 44 |
| 2.7. Summary | 47 |
| CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY | 48 |
| 3.1. Introduction | 48 |
| 3.1.1. Problem and Purposes Overview | 49 |
| 3.1.2. Research Questions | 49 |
| 3.2. Population and Sample | 50 |
| 3.3. Data Collection and Instrumentation | 50 |
| 3.3.1. Survey Methodology | 51 |
| 3.3.2. Interview Methodology | 52 |
| 3.4. Data Analyses | 54 |
| 3.5. Summary | 56 |
| Table 3.1 Research Design and Methods Matrix | 57 |
| CHAPTER 4: RESULTS OF THE STUDY | 58 |
| 4.1. Introduction | 58 |
| 4.2. Respondents | 58 |
| Table 4.1 Response Rates | 59 |

| | |
|--|------|
| Table 4.2 Profile of Family Business Respondents | 60 |
| Table 4.3 Profile of Respondents' Family Businesses | 61 |
| 4.3. Research Findings | 61 |
| Table 4.4 Correlation of Research Questions and Survey/Interview | |
| Questions | 62 |
| 4.3.1. Leadership and Leadership Development Issues | 62 |
| 4.3.1.1. Fears and Concerns of Leadership and | |
| Leadership Development in Context | |
| of Succession | 65 |
| 4.3.2. Learning Leadership across Generations | 68 |
| 4.3.3. Stories and Leadership Lessons | 71 |
| 4.3.4. Family Business Leadership Needs | 73 |
| 4.4. Summary | 75 |
| CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS | 77 |
| 5.1. Introduction | 77 |
| 5.2. Summary of Findings | 77 |
| 5.2.1. Most Frequently Reported Themes | 78 |
| 5.3. Conclusions | 79 |
| 5.4. Recommendations | 80 |
| 5.5. Summary | 81 |
| BIBLIOGRAPHY | 83 |
| APPENDIX A | I |
| Survey Instrument | II |
| Survey Follow-up Letter | VII |
| Interview Request Letter | VIII |
| Interview Overview | IX |
| APPENDIX B | X |
| Partial listing of Respondents' Family Businesses | XI |

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1. Introduction

This research study explores leadership and leadership development issues in small to medium size family businesses in South Africa. Exploration of leadership issues in these family businesses is centered on how leadership is learned across generations, how leadership lessons are preserved and celebrated through family business stories, and what family business leadership needs might effectively be addressed through education and research. Qualitative surveys and interviews are used to explore small to medium family business leader perceptions and insights on leadership and leadership development in these family businesses.

1.2. Background of the study

Small to medium size family businesses comprise a significant proportion of the South African business population. Exactly how significant is a matter of dispute. It is unfortunate that there is no database of family owned businesses available but it can be safely assumed that over 80 percent of small to medium businesses in South Africa are family owned. Daily and Dollinger (1992: 118) describe the family-owned as the “most prevalent form of enterprise”. Langsberg, Perrow, and Rogolsky state that “family business is the predominant form of business organization in the Western world” (1988: 2). The number of family businesses and their exact contribution to the national and international economy is difficult to determine (Shanker & Astrachan, 1996).

The field of family business research is relatively young worldwide. It is only since the 1980's that an increasing number of academics, government agencies, and other enterprises have begun to focus on family businesses as a distinct population (Langsberg et al., 1988).

1.2.1. The Family Business

A family business may be globally dominant or very small. The spectrum of family business is diverse. A multigenerational monarchy might be considered a family business as easily as the family-run farm, global manufacturer, construction firm, media company, or corner store. The term family business is not a synonym for small business. Prominent family businesses in America today include Wal-Mart, Motorola, Marriott, Nordstrom, and New York Times (Family Business Magazine, 2000). In South Africa there are big family owned businesses like Pick 'n Pay, Toyota S.A., Barlows, Ackermans, and DeBeers. In years to come there will be many more as we overcome the tragedies of apartheid that has kept our markets closed for such a long time. Family businesses are often identified and defined by variables such as ownership, voting control, strategic influence, multigenerational involvement, and active family management (Shanker & Astrachan, 1996). For the purposes of this research study, the terms family business and family firm are used interchangeably. Family business is at the intersection of the family system and the business system (Rosenblatt, de Mik, Anderson, & Johnson, 1985).

Events, environments, and life cycles of the family and the business affect each other. In the inaugural journal issue of Family business Review, Hollander and Elman describe this intersection of family and business: "The two nouns juxtaposed in the term *family business* suggest two parallel components, each an entity that stands in some continuous relationship to the other" (1988: 146). The family brings generation-spanning values, attitudes, and influences to bear on the family business that may not be present in non-family businesses.

A family business may be privately owned, publicly traded, or a combination. Governance may reside in a single person, a partnership, a board of directors, or shareholders. The family business leader may or may not have intent to transfer the business to the next generation. One-third of the largest publicly held corporations in America are family businesses (Shanker & Astrachan, 1996).

Family businesses are as diverse as the families who launch, own, lead, manage, or transition through them.

1.2.2. Transitions in Family Business

Attempts to transfer the business between family generations are a characteristic of family businesses. The life span of the family business averages 24 years (Dyer, 1986).

Only a small percentage of all start-up businesses last more than five years (Winter, Fitzgerald, Heck, Haynes, & Danes, 1998). After surviving the initial five year start-up phase, approximately one-third of family businesses transition successfully to the second generation with an estimated 13 percent surviving to the third generation (Ward, 1987).

Succession in family businesses has always been a primary focus in the literature of the past 15 years (Dyer & Sanchez, 1998). According to Handler (1994: 133), succession research has primarily centered around five areas: “(1) Succession as a process, (2) the role of the founder, (3) the perspective of the next generation, (4) multiple levels of analysis, and (5) characteristics of effective successions”.

Leadership development in family businesses has not received sufficient coverage in the literature to be considered one of the 18 broad categories of family research (Dyer, Sanchez, 1998).

1.2.3. Leadership in Family Business

Leadership in family businesses most often, but not always, rests with a family member or members. In a 1997 Arthur Andersen/MassMutual survey (1997) of 3 033 family businesses, 37 percent of respondents were the businesses’ original founders and 41 percent were second generation leaders. 28 percent expected CEO leadership transition within five years, and a total of 53 percent within ten years. 42 percent of respondents believe leadership of family businesses may influence approaches to developing leaders across generations. The surveyed

family businesses have combined annual revenues of \$67 billion – a significant contribution to the American economy.

If the Arthur Andersen/ Mass Mutual (1997) survey is of a representative sample, then it may be possible to forecast that over half of the American family businesses will be engaged in leadership transition before 2007. The sheer volume of possible ongoing and upcoming leadership transition to the next generation begs greater emphasis on the leadership and leadership development issues and concerns of family businesses. Leadership and leadership development in family businesses have been given less emphasis in literature than other succession issues such as ownership transfer and estate taxes (Dyer & Sanchez, 1998). Arnhoff (1998) forecasts that management, leadership and ownership will increasingly involve multiple people instead of one single CEO and owner.

1.2.4. Next Generation Leadership Development

Leadership and leadership development in family business are complicated and at the same time enhanced by the competing systems of family and business (Kets de Vries, 1993). How does the younger generation convince a parent that he or she is ready to fully lead the family business? How does the older generation successfully nurture the next generation to want to and be ready to lead?

Family business literature is beginning to place greater emphasis on next generation leadership development. Stavrou & Swiercz (1998) and Stavrou(1999) developed a model for investigating next generation desires to join and eventually lead the family business. They found that early understanding of intentions could help limit later family and business conflict. Seymour (1992) investigated intergenerational relationships in family firms and found successor training and succession planning affect the quality of the work relationship. Paisner (1999:41) suggests family businesses be run by planned consensus in the midst of intergenerational transitions. He also suggests that “since not all family members are born geniuses, no one should automatically be appointed ruler just because

they [sic] happen to be part of the family”. Barach, Gaitisky, Carson, & Doochin (1998) recommend next generation leaders be selected only if they clearly can lead the organisation better than anyone else could.

1.3. Statement of the Problem

What are the issues facing family businesses when it comes to leadership and leadership development? There is a paucity of family business research at the intersection of leadership, leadership development, and learning across generations (Dyer, & Sanchez, 1998). While intergenerational transitions are of great concern to family firms (Ward, 1987), research is limited on leadership, leadership development, and learning across generations in family businesses. While a multitude of experts give advice on leadership in family businesses (Aronoff & Ward, 1999; Solomon, 1998), researchers do not seem to be asking family business leaders directly regarding their leadership and leadership development issues and concerns. Although family business leadership styles and practices, and successor attributes have received attention (Chrisman, Chua, & Sharma, 1998; Hunt & Handler, 1999; Sorenson, 2000), not enough is known about leadership development and leadership learning across generations in family businesses.

Prior research has emphasised the umbrella issue of succession (Brack, 1999; Dascher & Jens, Jr., 1999; Francis, 1993; Greenberg & Sidler, 1998; Handler, 1994; Longnecker & Schoen, 1978; Stavrou, 1999). However, it appears not enough emphasis has been placed on separating overall succession research from intergenerational efforts to influence leadership and leadership development in family businesses (Dyer & Sanchez, 1998). Delving further into the leadership issues that lead up to and beyond succession is of value.

With over half of family business CEO's projected to be in transition before 2007 (Arthur Andersen/MassMutual, 1997), understanding the leadership and leadership development concerns of family businesses is of paramount importance. Not enough is known about family business leaders' perspectives on issues and concerns of leadership and leadership

development, and the needs of family businesses in leadership and leadership development.

1.4. Purpose of the Study

The purpose of this study is to investigate leadership and leadership development issues and concerns of family businesses. This study seeks the perceptions of family business leaders regarding leadership and developing leaders in family businesses, fears and concerns related to these issues, and insights on family business leadership needs.

1.4.1. Research Questions

The study research questions are:

1. What are the leadership and leadership development issues of family businesses?
2. How is leadership learned across generations in family businesses?
3. What stories of overcoming challenges are told and retold in family businesses? What are the leadership lessons here?
4. What are the family business leadership needs that might be addressed effectively through education and research?

This study is professionally significant in that informs family business leaders, and researchers of the leadership and leadership development issues in family businesses. This may further advance the efforts of those who work to preserve and promote the vitality of family businesses.

1.5. Definition of Key Terms

The key terms used in this research study are family, family business, leadership, leadership development, learning, generation, issue, stories, challenge, lesson, need, education, and research. The research study definition of key terms is as follows:

Family: broadly defined to include parents, children, siblings, grandparents, grandchildren, cousins, extended relations, in-laws, step-relations, and additional or former spouses (Gersick, Davis, Hampton, & Langsberg, 1997).

Business: profit-seeking enterprise or concern engaged in commerce, manufacturing, or a service (Flexner, & Hauck, 1983).

Family business: a for-profit organisation of which family members of a family have the majority of legal ownership or control (Langsberg et al., 1988) and where the two parallel components of family and business are engaged in an ongoing relationship (Hollander & Elman, 1988).

Leadership: “the process of persuasion or example by which an individual (or leadership team) induces a group to pursue objectives held by the leader or shared by the leader and his or her followers” (Gardner, 1990: 1).

Leadership development: activities that promote expansion of individual effectiveness in leadership roles and processes (McCauley, Moxley, & Van Velsor, 1998).

Learning: “the act or process of acquiring knowledge or skill” (Flexner & Hauck, 1983: 1095).

Generation: a single step in family descent accepted as roughly 30 years (Flexner & Hauck, 1983).

Issue: a point, matter, dispute, or discussion, the outcome of which is of special importance (Flexner & Hauck, 1983).

Stories: the narrating or relating of an event, series of events, description, or anecdote that may or may not be true (Flexner & Hauck, 1983), and may be comprised of heroes, heroic characteristics, myths, legends, and , metaphors (Forster et al., 1998).

Challenge: something that by its nature or character serves as a call to battle or special effort including difficulty in a job or undertaking that may be stimulating to one engaged in it (Flexner & Hauck, 1983).

Lesson: something from which a person learns or should learn including practical wisdom acquired by experience or study (Flexner & Hauck, 1983).

Need: “a lack of something wanted or deemed necessary” (Flexner & Hauck, 1983: 1284).

Education: “the act or process of imparting or acquiring particular knowledge or skills”- especially as for a profession (Flexner & Hauck, 1983: 621).

Research: “diligent and systematic inquiry or investigation into a subject in order to discover or revise facts, theories, and applications” (Flexner & Hauck, 1983: 1637).

1.6. Overview of Methodology

The sample for this research study is small to medium family businesses in South Africa. Data will be collected through surveys and interviews. Data analysis followed a process from the specific to the general in looking for patterns and themes from the data.

1.7. Limitations

This research study is limited to leadership and leadership development issues in family businesses. It does not include ownership, financial, estate, tax, and other non-leadership issues of succession. Generalisation will be limited due to the sample size. This study has also been limited due to the fact that very little if any research has been conducted on South African family businesses.

1.8. Summary

This chapter has given an overview of family businesses in general and identified research forecasting a large turnover of family business leaders before 2007. This research study investigates leadership and leadership development issues and concerns of family businesses.

The following Chapter (2) is a summary of relevant family business, leadership, and leadership development literature. Research methodology is described in Chapter 3, research findings in Chapter 4, and conclusions and recommendations in Chapter 5.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

This literature review is summary of relevant family business, leadership, and leadership development thought and research. The study of family business as a discipline is relatively young (Hollander & Elman, 1988). Leadership and leadership development research are long-standing and expanding bodies of knowledge (Bass, 1990; McCauley et al., 1998). This literature review begins with an overview framing of family business and follows with a review of leadership and family business, and leadership development.

This chapter will be focused in keeping with the research questions:

1. What are the leadership and leadership development issues of family businesses?
2. How is leadership learned across generations in family businesses?
3. What stories of overcoming challenges are told and retold in family businesses?
What are the leadership lessons here?
4. What are the family business leadership needs that might be addresses effectively through education and research?

2.2. Search Process

The search process for the literature review included a number of approaches. Electronic database scans were first used to assist in informing and framing the research and literature. A narrower but deeper electronic database review and document retrieval was conducted using ERIC, ProQuest, Lexis-Nexis, and other internet search engines like Yahoo, Google, and Lycos. Citations of literature were reviewed and articles retrieved as relevant. Additional writings by authors were explored. Other sources reviewed were books in print, web pages focused family business issues, dissertation abstracts, and

mainstream business literature. Documents were retrieved electronically, through university libraries, and bookstores.

The 12-year history of the Family Business Review journal was especially examined because of its scholarly, interdisciplinary approach to family business issues. The 1990-1999 annual family business bibliographies produced by the Family Firm Institute were also reviewed. The overall search focused on English language literature. The search mainly yielded results that were of North American origin.

2.3. Family Business

Family business is at the intersection of family and business. There is an ongoing relationship between the family and the business that bobs and weaves with their intertwined life cycles, crises, achievements, rejoicings, and day-to-day patterns of living. The expansive areas of ownership and governance are outside the leadership focus of this literature review but have received significant attention in defining and characterising family businesses concerns (Ahlstrom, 1998; Daily & Dollinger, 1993; James, 1999; Neubauer & Lank, 1998).

2.3.1. Defining the Family Business

Researchers of family business struggle to reach a common paradigm for viewing and defining family businesses (Chua & Chrisman, 1999; Daily & Dollinger, 1993; Handler, 1989; Winter et al., 1998). As with many young fields of research, the fluctuating and competing approaches to common descriptors somewhat limit the value of family business research in terms of generalisations, comparison, and replication.

Westhead & Cowling (1998) summarise many of the possible variables. They suggest there are seven increasingly stringent criteria which researchers may or may not use when defining a firm as a family business. These categories by increasing rigor are:

1. Self-perception as a family business.
2. Members of the largest single family group own more than 50 percent of stock.
3. A combination of the previous two categories.
4. A combination of the first two categories plus the CEO is from the owning largest family group.
5. All the preceding categories plus more than 51 percent of the management team is from the largest single family group.
6. The firm is owned by second-generation (or later) family members, with one or more of the management team from the largest family group, plus categories one through four above.
7. 51 percent of the management team is from the largest family group plus all the previous criteria of self-perception as a family business, more than 50 percent of voting shares owned by the largest family group, CEO is from the largest owning family group, and the firm is owned by second generation (or later) family members (Westhead & Cowling, 1998: 29-33).

This last category is rigorous and would exclude a significant portion of family business research currently being conducted (Westhead & Cowling 1998). For the purposes of future research, Westhead and Cowling recommend the prevailing definition of a family business be: (a) 50 percent or more stock is owned by blood or marriage family members; and (b) the company is perceived by the CEO to be a family business (1988).

Langsberg et al. (1988) uses the phrase "ownership or control" as compared to Westhead and Cowling's use of the term "stock". Family businesses have a variety of ownership forms including split public/private stock, joint family stock ownership, sole or family ownership without shares, and partnerships (Church, 1993; Langsberg, 2000; Ward & Dolan, 1998). For the purposes of this research study, the definition of family business is (a) self-perception as a family business,

and (b) 50 percent or more of the business is owned or controlled by family members.

How family businesses grow, function, and are defined varies by country and culture (Church, 1993). This literature review will primarily focus on family businesses in South Africa.

2.3.2. The Rational Approach

Early analyses tended to view family businesses as dysfunctional (Calder, 1961; Donnelley, 1964). This became known as the rational approach (Hollander & Elman, 1988) which laments the presence of family in the business due to the supposed irrational behaviours that result from mixing family issues with business decisions. The complexities and potential conflict arising from the juxtaposition of family and business were not considered rational. Donnelley (1964) conducted research that identifies weaknesses of family business to include conflicts in the family affecting the business, a “lack of discipline” over organisation profits and performance, lack of quick response to growth opportunities, and rampant nepotism. This article seemed to cast dispersion on the rationality of how a family business was run due to the family impact. For example: *“Family pride and indebtification cause company obligations to be honoured beyond the family’s legal responsibilities. The bankruptcy debts against many firms are repaid for these reasons. In one major company, the owning family even paid out of its own pocket the firm’s obligations to its employees during a period of substantial financial losses”* (Donnelly, 1964: 98).

Early rational approach authors paid particular attention to business dysfunction caused by family conflicts. Levinson (1971) focused on the rivalries of the father-son relationship in family business. This rivalry is often exacerbated by the father’s possessive feelings towards the firm as its founder. As the son wants increasing responsibility, the father seeks to maintain control over the firm he built. Hostility increases and both the business and the family suffer. A variation

of this may occur between older and younger brothers. In the literature of this era, little mention is made of daughters as active participants in the business.

Calder (1961: 101) describes how family complicates running a rational business. This includes reluctance to call on outsiders for assistance, the demands of in-laws and non-actively involved family, and the need to exert more effort to keep family members “in-line”. Later researchers are more likely to view behaviour influenced by family and business interaction as values-based distinctions that add depth and character to family businesses (Hollander & Elman, 1998).

2.3.3. Systems Interactions

The rationalist approach to viewing family businesses was followed with research from a systems perspective. Hollander and Elman (1988: 147) critique the rational approach: “The writers who attempted to apply the rational approach by excising the family failed to recognize that the presence of the family is integral and enriching for the family business”. As noted previously, family and business interact in the family business. If viewed through systems framing, there are a number of systems interactions to consider including family and business systems, and life-cycles of each. These are discussed in the following section.

2.3.3.1. Family and Business Systems

If the purpose of the business is to make money and the business of the family is to care for and develop people (Kepner, 1983), there must inevitably be clashes and perhaps also synergies. Beckhard and Dyer give an overview of family firm subsystems to include the business, the family, the founder, and boundary spanning systems such as the board of directors. Forces that impact systems interactions include business environment, business life cycle stage, organisational culture, family, family influence on founder, and the owner’s own values (1983b).

Kepner (1983:58) views family firms as ecology. She notes that literature up to that point looked at family firms more from the business perspective: “The firm’s dualistic perspective focuses on one system at the price of the other. One gets the impression that the family is still something of a scapegoat in the family-firm system”. She suggests that if the family business is an ecology, with relational patterns, then one cannot neglect some of the ecology and expect to understand the whole system. Subsystems of the family include spouses, parents, and siblings.

As described in Chapter 1, Hollander and Elman (1988: 146) view family business as two separate parallel components that have a consistent and long-term relationship. What happens in the family or the business may “influence and mould the history of the other”.

In 1993, Kaslow expands family and business systems thinking to also include larger societal contexts such as immigration, cultural traditions, convergence of life cycles, and changing gender role expectations. She advocates that true understanding of the family and the business interaction must be framed by the intersection of systems.

2.3.3.2. Life Cycles of Family and Business

Greiner’s (1972) article on organisation life cycles is a classic in organisation development theory. He suggests that organisations move through five stages – each of which is influenced by the previous stage. There are times of orderly change and periods of revolution. Each of the life cycle stages ends with a period of managerial crisis or revolution. These stages are (a) growth through creativity, (b) growth through direction, (c) growth through delegation, (d) growth through co-ordination, and (e) growth through collaboration. Each stage has its characteristic management style and focus, control systems, organisation structure, and management reward approach. If leaders understand their

own organisation, they can prepare for upcoming changes and revolutions due to life cycle issues.

Dyer and Handler (1994) note that family greatly influences the entrepreneurial stage of family business through experiences in family of origin, family involvement in business startup, early employment of family members in a startup business, and involvement of family in ownership. It is in the entrepreneurial stage that family and business life cycles begin to interact. Business life cycles may reverse themselves through market forces, acquisitions, divestitures, and so forth, but families must transition to the next generation to start over on the family life cycle. There are necessarily leadership and leadership development implications of business and family life cycles. These are described later in this chapter.

Gersick et al. (1997) see the family life cycle as affected by biological aging. The four developmental stages are:

1. Young business family: Characteristically the parent generation is under 40 years of age and the children are under 18. Challenges in this stage are maintaining the marriage, decisions about interactions of the family and business, relationships with extended family, and raising the children.
2. Entering the business family: The senior generation is primarily between 35 and 55 years of age, and the younger generation is in the teens and 20's. Challenges of this stage are midlife transitions, the younger generation's desires and achievement for greater independence and individuality, and creating processes for career decisions that impact individual family members and the business.
3. Working together family: The senior generation is primarily between 50 and 65, and the younger generation is between 20 and 45. Challenges include cross-generational communication and co-operation including honesty, openness, and consistency; efforts to

have effective conflict management processes; and managing the probable emergence of the third generation.

4. Passing the baton family: In this family development stage, the senior generation is usually over 60 years of age. The key challenges are separating the senior generation from the business (emotionally and financially), and the transfer of leadership to the next generation (Gersick et al., 1997)

2.3.3.3. Family Interactions

Families are complex systems of themselves. The interpersonal relationships in family affect the business, and the business is affected by interpersonal relationships. The normal maturity pattern of increasing independence and separating identity (including professional identity) may not be the same for individuals who are engaged in the family business.

Dunn (1999) conducted three longitudinal case studies where she found family tension and anxiety were amplified and often caused by family business issues. In a qualitative study of 32 next-generation members of family firms, Handler (1991) found two key aspects of interpersonal relationships in family business. The first key is the level of understanding and mutual respect between family generations. The second key interpersonal relationship is between the emerging next-generation leader and his or her siblings or relatives. Where strong relationships exist, Both family and the business are strengthened.

Relationships among family members are the largest critical success factor in family business according to Hoover and Hoover (1999). They emphasise the personal side of families in family business. In an on-the-surface humorous story, they illustrate how family relationships are critical in family business: "Two attorneys who had been working for some time to resolve a very difficult family business problem and had run

out of ideas to discuss what to do next. One of them said, “As I see it there are really only two alternative solutions; one is logical and rational, and the other would be a miracle. The logical, rational solution is that an angel will suddenly appear from heaven, float down and sprinkle dust over this family and make the problems go away.... The miracle would be that these people could just sit down for five minutes and talk to each other like civilised human beings!!” (Hoover & Hoover, 1999: 1).

Hoover and Hoover (1999) state that the overall success of the business is grounded in the degree of strength in family interpersonal relationships. They describe a relationship intelligence approach to family interactions and family business. Relationship intelligence is defined as engaging in mature interpersonal interactions that encourage effective communications, clear expectations, and conflict resolutions. Family relationships as impacted by the business may be strengthened through the cyclical series of (a) talking and exchanging information, (b) shaping expectations, (c) making commitments, (d) experiencing the low maintenance or honeymoon stage, (e) encountering unexpected change, (f) feeling change caused anxiety, (g) recognising that anxiety may lead to false agreement, (h) re-negotiating relationships, (i) choosing whether to renew relationships, and (j) establishing partnering covenants. The tools of relationship intelligence are familiar interpersonal approaches of active listening, communication, self-esteem, and issue management (Hoover & Hoover, 1999).

There may be a negative side to family and business interactions. Parental time and emotional investment in the business may create jealousy and alienation in the rising generation. The sometime competing perspectives of parents regarding a child’s abilities and role may result in undesired coalitions, barriers, and failures. Nepotism at all costs hurts the business and the family. The business may become a welfare institution to support

ineffective or non-engaged family members (Kets de Vries, 1993). If a family begins to disintegrate the family business is likely to be affected. The cause and effect may flow either way.

2.3.4. Family and Business Systems Summary

The interactions of family and business are multifaceted. There are interacting and often competing systems that amplify weaknesses and strengths. Life cycles of the family and the business add to systems complexities. Family interpersonal relationships play a major role in family business systems health. The financial and profit demands of business have not been discussed but also impact the healthiness of the family business. Given the interaction of systems as discussed above, the importance of leadership and leadership development is of primary concern when estimates are that more than half of family firms expect to transfer leadership to the next generation by 2007 (Arthur Andersen/ MassMutual, 1997).

2.4. Leadership and Family Business

This section of the literature review begins with a summary of leadership theory. Explores the need for new leaders in changing times, describes leadership in the context of family businesses, and examines leadership in interaction with life cycles. The study of leadership has grown out of many fields including political science, psychology, cognitive science, management, business, and communications. As Bass (1990: 3) notes: "Leadership is one of the world's oldest preoccupations". Leadership research has been wide and deep but especially focused in the areas of influence, power, persuasion, goal achievement, interpersonal interactions, organisation type and structure, roles, group process, personality, attributes and characteristics, behaviours, and vision (Bass 1990).

2.4.1. Leadership Theory Summary

According to Bass (1990), there may be as many definitions of leadership as there are leadership researchers. This section provides an overview of leadership theory before focusing on family business leadership. Early leadership approaches were

characteristic and trait focused. In these early days the emphasis was on attributes of the leader and exploration of the assumption that there may be people who are “born” leaders. Pre 1947, trait and skills research focused on such diverse constructs as age, height, weight, energy, appearance, intelligence, knowledge, ambition, integrity, social and economic status, and social orientation. Later research has explored physical characteristics, social background, intelligence, ability, personality, task-related characteristics, and social characteristics (Bass, 1990). Yukl (1998) segments leader traits and skills research into three areas of interpersonal, cognitive, and technical. Bass (1990) defines leadership in the context of expectations, group interactions, situations, and perceptions. In reviewing key definitions of the past 50 years, Yukl (1998: 3) summarises leadership to “reflect the assumption that it involves a process whereby intentional influence is exerted by one person over other people to guide, structure, and facilitate activities and relationships in a group or organization”.

Another view of leadership is provided by the work of Greenleaf (1970:7). He explored the concept of servant leadership. “The servant-leader is servant first”. The budding orientation toward servant leadership “begins with the natural feeling that one wants to serve, to serve *first*. Then conscious choice brings one to aspire to lead”. The traditional hierarchy with one person at the top may contribute to organisation weakness. Instead, Greenleaf suggests that there needs to be a “first among equals” style leadership. In this approach, the servant-leader does not use people but builds people. The leader also develops a consciousness that can simultaneously vision the past, present, and future. For Greenleaf, the effectiveness of a servant-leader is best measured by looking at the success of his or her followers (Greenleaf 1970: 7; Tichy 1997).

Situational leadership theory was proposed by Hersey and Blanchard (1977). In this and similar contingency theory approaches, the leader’s behavior is shaped by the situation including the follower’s maturity in task and relationships. The application of situational leadership theory in corporate training has become

widespread. Blanchard (1994) expanded the original model to view situational leadership as akin to a partnership between leader and follower. The variable levels of employee commitment and competence are approached as a continuum. The leader's style with the employee may fluctuate by task. For example, the employee may be an enthusiastic beginner, a disillusioned leader, a capable performer, or a self-reliant achiever (1994: 6). Understanding the developmental needs of the follower is critical for the leader in order to apply the appropriate combination of directive and/or supportive leadership style.

Burns (1978) proposed a new framing of leadership with his classic thoughts on transformational leadership (see also historical analysis, Hunt, 1999). In his discussions of transformational versus transactional leadership, Burns explores empathy, social insight, higher ideals, and building commitment as leaders and followers. The ideal behind transformational leadership is that "leaders and followers raise one another to higher levels of motivation and morality" (Burns, 1978: 20). The worth of a goal is emphasised. The transformational leader strives to expand transformational behavior by empowering followers and assisting them in elevating themselves. As opposed to the transactional approach, which is leader-centered, the on-going process of transformational leadership develops into a shared focus of control among leaders and followers (Burns, 1978).

Covey (1990) uses a personal development approach to leadership theory. He argues that the development of personal habits is grounded in the personal character ethics of (a) being proactive, (b) understanding goals, (c) ranking and acting on priorities, (d) framing interpersonal interactions in a "win-win" perspective, (e) seeking to understand the positions of others as they are understood by them, (f) amplifying accomplishment through co-operation, and (g) engaging in renewal activities (1990). Covey theorises that the interpersonal side of leadership, grounded in these seven habits, helps the individual move beyond transactional leadership to transformational leadership. In this framing, people and relationships can be transformed. As leaders engage in learning, committing,

and doing, they develop in an upward spiral to “*learn, commit, and do on increasingly higher planes*” (1990: 306).

Gardner (1990) frames leadership in historical, corporate, political, and service contexts. Himself a leader in diverse settings over many decades, he emphasises persuasion, example, and pursuit of objectives. He suggests there is an interaction between the emergence of leaders and the shaping of historical forces. Gardner uses Churchill as an example: “He tried out for leadership many times before history was ready for him” (1970: 7). Gardner explains “Forces of history determined his rise and fall, but in his time on the world stage he left a uniquely Churchillian mark on the course of events” (Gardner, 1970: 7).

Traits do not guarantee successful leadership. Leadership is the “combination of a particular context and an individual with the appropriate qualities to lead in that context” (Gardner, 1990: 38). There is a synergy at the intersection of context and leader. For Gardner, leadership is “conferred by followers” and “good constituents tend to produce good leaders (Gardner, 1990: 24). Expanding the concept of leadership beyond one person, Gardner notes that some failures of leadership are actually failures of followership: “A society of sheep must in time beget a government of wolves” (Gardner, 1990: 36) and “If a bad leader rules because of our lethargy, we are collaborators” (Gardner, 1990: 71). In a statement that reveals his achievement values, he says: “We are designed for the climb, not for taking our ease, either in the valley or at the summit” (Gardner, 1990: 195). Gardner states: “The First and last task of a leader is to keep hope alive” (Gardner, 1990: 195).

Kouzes and Posner (1995: 30) include the concepts of vision and follower choice in their leadership definition: “The art of mobilizing others to want to struggle for shared aspirations”. Their research concludes that the five keys to leadership are (a) challenge the process, (b) inspire a shared vision, (c) enable others to act, (d) model the way, and (e) encourage the heart. It is in “encouraging the heart” that Kouzes and Posner open up new connections in theory and research. Encouraging

the heart is about supporting “the basic human need to be appreciated for what we do and who we are” (Kouzes & Posner, 1999: xii). The leader interacting with follower, courage and caring – these are their central tenets of leadership (1995, 1999).

Goleman (1998) relates emotional intelligence to leaders. The emotional intelligence model includes self-awareness, self-regulation, motivation, empathy, and sincere social skills. He suggests that at certain levels, competence, and technical ability are taken for granted. What will set people apart in the competitive market place are personal qualities “such as initiative and empathy, adaptability and persuasiveness” (Goleman, 1998: 3). He finds six distinct situational leadership styles arising out of emotional intelligence components. These are styles of coercive leaders, authoritative leaders, affiliative leaders, democratic leaders, pacesetter leaders, and coaching leaders (Goleman, 2000).

True emotional intelligence in leadership is genuine (Goleman, 1998). Goleman argues that an emotionally intelligent leader does not engage in self-serving political maneuvering. Rather, the leader exhibits real emotional maturity that is consistent, passionate, and under control (1995, 1998). Cacioppe (1997: 338) proposes that an emotionally intelligent leader has the advantage of being able to manage his or her own emotions. This type of leader has “an ability not to react or get caught up in their own or other people’s negative emotions”. Being unhindered by excess preconceived ideas, the leader is thus able to see the future. Cacioppe views leadership intelligence as a synergistic combination of intellectual intelligence and emotional intelligence (1997).

Level 5 leadership theory is an emerging theory. Collins (2001: 67) writes about his five-year organisational success research that results in new leadership theory. He comments: “Its discoveries (the research) ought to change the way we think about leadership. The most powerful transformative executives possess a paradoxical mixture of personal humility and professional will. They are timid

and ferocious. Shy and fearless. They are rare and unstoppable". The Level 5 leader is an "individual who blends extreme personal humility with intense personal will" (Collins, 2001: 68). The leadership of the Level 5 leader is exemplified by transforming good organisations into great organisations.

2.4.2. New Leaders for Changing Times

The successful leader of the past is perhaps not the best leader to deal with the emerging future (Dotlich & Noel, 1998). An anonymous Fortune 100 CEO notes: "Show me a leader who is decisive, fiercely independent, dominant, and in control, and I'll show you someone who doesn't have a clue about how to lead today's organisations (Dotlich & Noel, 1998: xi).

Allison (1993: 31) argues that replacing departing leaders with similar type leaders is not forward thinking. He writes: "Decisions are often based on the premise that the organisation is trying to clone today's successful executive". To do so inevitably means that the right kind of leaders may not be available for changing times.

Bennis (1999: 72) states that triumphant top-down leadership is a myth. He flatly asserts there is an end to leadership as we have imagined it. Leadership today and in the future is deeply affected by hyper change, and "the dynamic duo: Globalisation and relentlessly disruptive technology". So what comes next? Bennis argues the future is about people and systems, and a workforce engaged in creative alliances. He clarifies his position as not pealing the doom of leadership but calling attention to a new leadership: "The new reality is that intellectual capital, brain power, know-how, human imagination has supplanted capital as the critical success factor and leaders will have to learn an entirely new set of skills" (Bennis, 1999: 76). These new leader competencies are (a) the power of appreciation, (b) reminding others what is important, (c) generating and sustaining trust, and (d) being intimate allies with those being led (Bennis, 1999).

New century leader competencies are explored by Conger and Benjamin (1999). The future workplace will demand new types of leaders who are (a) diversity sensitive, (b) interpersonally proficient, (c) skilled at communicating with and motivating others, (d) builders of community, (e) able to build strategically aligned organizations, and (f) willing to develop other leaders. Conger and Benjamin write that leaders of the 21st century need to be “strategic opportunists, globally adept, capable of leading across organisational boundaries with alliance partners, keen data analysts, and learning evangelists” (1999:242).

McCall (1998) says we may believe some of the simpler approaches to developing leaders but new times call for new types of leaders. Reality is not always what we think it is. The astronomer Galileo could not convince others that the earth truly did circle the sun rather than the sun circles the earth. As McCall explains: “it sometimes takes a while to accept reality, but sooner or later we have to deal with its implications” (1998: xii). Organisations who foresee future leader realities will have the advantage.

Innovation is accelerating at an unprecedented rate. Organisations are fostering innovation to develop and deliver new technologies but may be neglecting the need for new types of leaders who will be able to sustain innovative cultures (Ishizaka, 1999).

Ishizaka, a senior managing director with Toyota, was asked to speak on what it takes to be a global leader for the new century. He pinpoints what is needed: (a) an open mind and willingness to travel literally to the ends of the earth; (b) strong listening skills; (c) positive orientation that enables success in new cultures and business environments; (d) being physically and mentally fit; (e) a student for life – in addition to business learning, also learning about new cultures and their history; (f) belief in building the team; (g) respect for others; and (h) view life as fun. Ishizaka summarises: “The world may be shrinking, but the need for great leaders is growing. We must continue to work together to meet that need. It

should be our highest calling. Our future and the world's future depend on it" (Ishizaka, 1999: 54).

2.4.3. Family Business Leadership

Leadership in family business may be particularly vulnerable to changing leadership paradigms because of lingering paternalistic and authoritarian styles that have grown out of traditional family roles. Leadership and legacy of leadership are often grounded in family relationships. Baker and Wiseman examine leadership in family business: "The efficacy of the leadership and the operational quality of the legacy that a family leader leaves behind depends on the flow of relationships among significant family members working in the business: (1998: 209).

Leadership in family businesses may reside in the individual leader and/or in a council of leaders. There may actually be two chief leaders in a family business. The first, likely to be the father, is leader of the business and often also leader of the family. However, there may be a second leader. This person is likely to be the mother. She is often considered to be the emotional leader of the family and business. Her tasks include facilitating communication among the family, acting as behavior explainer to other family members, ensuring consideration of individual family member's feelings, and orchestration of special family events. While many family businesses give attention to grooming the next business leader, not as much attention is given to facilitating replacement of the emotional leader (Ward, 1987).

Family councils or boards of directors may be found in family businesses. These entities may have formal or only advisory leadership authority. Especially as the organisation grows, councils and boards are more likely to be involved in the leadership of family firms (Ward, 1987).

Charles Walgreen, Jr. was born in 1906 and more than 30 years ago passed on the chairmanship of Walgreens to his own son. However, he vividly recalls his father's legacy: "*He was an entrepreneur and quite forward-looking....He was a particularly good judge of a person. He was often asked what the key to his success was, and he would always say, "The secret is I hire people who are smarter than I am."*"(Eder, 2000:5)

Walgreen believes his father would find today's Walgreens to be something special. The reason why is found in similar leadership values. "[Dad] would think our stores are brilliant because we have such fine personnel" (Eder, 2000: 3).

Today's reputation for excellent service was built over many years of continued leader emphasis. With 3 000 stores today, Walgreens is a successful business across multiple generations. Charles Walgreen, Sr. had a vision of what the modern chain of drug stores ought to be. Eder describes leadership legacy in the family business: "Despite all the changes that have transpired along the way, today's Walgreens is in many ways, very much in line with that vision. Chuck Walgreen ought to know. He and the chain have grown up together" (Eder, 2000: 69).

That special something that separates a good leader from a great leader may vary across family business generations. Davis (1998) gives examples of modest family business that were transformed into hugely successful businesses by particular leaders. The Nordstroms who greatly expanded the business were the third generation. Anheuser-Busch was transformed by third generation leader Gussie Busch. Davis bemoans the lack of strategy and vision in family businesses but also advises: "If family businesses have any intrinsic advantage it is their ability to plan for the long run" (Davis, 1998: 31). Great family business leaders see marketplace openings that lead to enduring business success (Davis, 1998).

Leadership in family business is complicated by the interaction of family, business, and ownership. Beckhard (1998) believes that leadership in family business gets especially complicated by the third generation because ownership

has usually become fragmented. In addition to the normal strategy, vision, and action aspects of running a business, the family business leader “carries the weight of leading the family in the business, and doing both simultaneously. The leader of a family business usually feels not only the need for a degree in business but one in family psychology as well” (Hoover & Hoover, 1999: 183).

The literature often focuses more on the governance and succession aspects of family business leadership than on the acts and processes of leadership itself. For example, an analysis of 10 years of Family Business Review articles resulted in no specific category for leadership and/or leadership development. In the succession issues category there were 34 articles and in the governance issues category there were 10 articles (Dyer & Sanchez, 1998).

2.4.3.1. Effective Family business Leadership Styles and Characteristics

Dyer (1986) outlines the interaction of family business leadership and organisational culture. The leader’s abilities and practices, beliefs and structures affect the organisation’s ability to change with and before the times. Collins & Porras (1994) suggest there are core values that should last across organisation generations because these are what we make the difference between a good business and a great business.

Building on Dyer’s work, Sorenson (2000) conducted research on leadership style AND practice relationship to family business success. He focused on the five leadership styles of participative, autocratic, laissez-faire/mission, expert, and referent. Results indicate that participative leadership positively links with employee satisfaction and commitment as well as positive family and business outcomes. Family outcomes and employee satisfaction were particularly positive with referent leadership. Surprisingly and contrary to the hypothesis, laissez-faire leadership resulted in high levels of employee commitment (Sorenson, 2000; Paisner, 1999). Hoover & Hoover (1999) see two distinct family business

leadership styles. These styles are the benevolent dictator or primarily directive, and the coach or primarily participative.

The practices of effective family business leaders are also examined by Hunt and Handler (1999). They label leadership roles across the life cycle of the family business as sole operator, monarch, and moving to consultant as the younger generation begins to take over. The younger generation moves from no role, to helper, to manager, and eventually to leader. In a study of six successful family businesses, Hunt and handler found effective family firm leaders (a) use a business-first approach, (b) manage conflict proactively in the family and the business, (c) place personal power gain lower in importance than the business and family well-being, (d) use empowering, delegating and participative leadership styles, (e) enforce the work roles of family members, and (f) can let go of business role identity (1999).

2.4.3.2. Leadership and Life Cycles

The leadership needed at each stage of business growth may not be in sync with individual leadership approaches and with family business leadership transition. The entrepreneurial leader may not be equipped to handle the systems leadership needs of a more mature business (Clifford, 1975). Leadership transitions ,ay be forced by family life cycle thus resulting in an inexperienced leader taking over at critical business growth stages (Gersickj et al., 1997).

Magnusen (1995) writes that individual leaders should have flexible leadership styles depending on organisational life cycle phases. These phases may not be distinct but could be multi-layered. The leader's vision is most needed in bringing the organisation to the next level rather than comfortably resting in the present. Rothschild (1996) declares that the leader and the organisation life cycle must be well matched. The different

phases call for different abilities and risk attitudes. With family business leaders more likely to be committed for the longer-term to the family business, their ability to transition leadership across organisation life cycle phases becomes critical. Long-term enhancement of leadership warrants attention.

The life cycle theory of leadership by Hersey & Blanchard (1979) is grounded in adapting leader behavior to the level of maturity in followers. They define maturity in followers as “relative independence, ability to take responsibility, and achievement-motivation of an individual or group” (1979: 97). As the follower matures, the leader adapts with less and less structure and/or socioemotional support. Hersey and Blanchard argue that leadership style has a curvilinear relationship to life cycle (1979). Winn and Rice (1993) suggest that organizational life cycle issues should be systematically addressed by a leadership agenda. This agenda involves change anticipation and facilitation, information gathering, and effectively preparing the organisation. Nurturing and sustaining young talent is a necessary component of leadership across organisational life cycles (Boxall, 1998).

2.5. Next Generation Leaders

Challenger (1998) examines the future of leaders and the workplace. He foresees worker shortages caused by expanding consumer demand and a contracting workforce population. Flexible working schedules will become more common as task completion becomes more important than actual hours worked. This impacts leaders and leadership. Challenger sees the role of the new leader in poet terms: “Leaders operate in the mercurial world of the poet: They are dreamers of corporations. The only job a leader has to inspire greatness, then get out of the way” (1998: 19). Despite technology advances, there are still requirements for human interaction.

Leaders, followers, and teams of the future will desperately need appropriate education according to Challenger. He forecasts: “invest in education or suffer the consequences.... We need to prepare education standards that prepare the next generation to build a future” (1998: 20). Byham (1999) believes now is the time to identify and develop next generation leaders. As organisations become flatter and leaner, the traditional luxury of picking and choosing next generation leaders may be past. Organisations must have a concerted leadership development effort instead of just succession identification.

Family businesses perhaps have an advantage in identifying next generation leadership because family (by blood or marriage) is likely the preferential pool. Sutton of Inner City Broadcasting Corporation handed down his family business to the next generation only after great preparation: “It took a decade to train the next generation and pass on the management philosophy. And I needed time to gradually remove myself from the company. Now it’s time for my children to take the next step” (Dingle, 1997: 4). Electronics component manufacturer Henderson says there are two key factors when considering the future of the business and potential leaders: “First, you try to gauge the personal effect it [leadership] will have on your offspring. Secondly, you want to make sure they’re qualified for that leadership role (Dingle, 1997: 18).

As the family businesses grow, there is an increasing need for non-family professional management and sometime leadership. Rock (1987) suggests every family sooner or later must answer the question: “How desirable is it to have family members in top leadership roles?” If this decision is delayed too long, the business may suffer and consequently family relationships are affected.

Like many others, Ulrich (1997) suggests leadership will be different in the future. It will be less top-down, shared more among teams, and emphasise an increased global perspective. In preparation, organisations need to see development of leaders for new times as one more item on the human resource strategy agenda.

2.5.1. Nepotism and Next Generation Leaders

Nepotism and the family business seem to go together. It all depends on how nepotism is defined and approached. Is it to employ the children at all costs approached – thus possibly resulting in business failure and family stress? (Kets de Vries, 1993). Or is it the measured development of leaders across generations?

The career choices of children are highly influenced by the family business. Ward and Mendoza (1996) have researched work in family businesses and explain: “There is a tremendous burden of expectation from parents on most first-born children, especially sons, about working in the family’s business. Curiously, it is our observation that less the expectation, the more enthusiastic the contributions of the next generation will be since they are made a matter of the child’s choice rather than the result of parental expectation (1996: 179)”.

Ward and Mendoza suggest normal business leader preparation is a given for successful family business leaders. In addition, the senior generation has a special responsibility to prepare the younger generation in three key areas:

1. Next generation leaders must be able to lead in areas of civic leadership and civic responsibility.
2. Next generation leaders must be able to bring their extended family together into shared vision for the family and the business.
3. Next generation leaders must be savvy about orchestrating change in an organisation and family that may be especially vulnerable to a change agenda if the change infers criticisms of the previous generation (Ward & Mendoza, 1996).

There are times when the child is just not suited to being the next generation leader. Forcing the issue and giving nepotism privilege to the unprepared or non-receptive may result in disaster. An example of this was played out in the Steinway family and their piano business in the 1930s and 1940s. In what was already a third generation family business, Theodore Steinway selected his eldest son, also Theodore but known as Teed, to be the next leader. Teed was a lackluster scholar in subjects that did not interest him, shy with people, but a good

athlete. He certainly did not have a desire to be the fourth generation leader of the Steinway family business. As his parents, especially his father, pushed him further to be actively engaged in the business, Teed became emotionally withdrawn and depressed. Eventually, he suffered a breakdown that was hidden from others while he recovered in a private sanitarium. His father saw the evaporation of his dreams and could not even visit Teed during recovery. Teed separated from the family and the business and found his own niche. He served in the U.S. military during World War II and was promoted to Major by the end of the war. His younger brother Henry characterised Teed as much happier when away from the family and the business (Lieberman, 1998).

Vinton (1998) advises a new approach to nepotism in family business. She suggests nepotism be examined from five perspectives:

1. How do legal issues impact practices and policies? This includes civil rights, estate and tax issues, and legal forms of organisations.
2. How do finance/accounting and economics issues affect nepotism? Issues include valuation, taxes, profitability, and most importantly cash flow.
3. How does behavior science inform nepotism practices and policies? Issues include family and non-family interpersonal relationships, attitudes, values, and culture.
4. How does the management science perspective inform nepotism practices and policies? Considerations include organisation size, life cycle, human resource practices, management structure, and planning.
5. The fifth nepotism perspective to be explored is possible impact of environment variables. These include industry environment issues, the local and global economy, government regulations, and area culture. As Vinton (1998) explains, there may be norms that vary by industry and culture. in farming, nepotism and generational transfer is very common. Nepotism may be less common when family business is very large and multinational.

This section on next generation leaders has described viewpoints advocating that the selection of next generation leaders involves balancing emotional suitability, business acumen, and personal choice (Kets de Vries, 1993; Lieberman, 1998; Ward & Mendoza, 1996). The following section examines leadership development.

2.6. Leadership Development

There are many leadership experts who tout diverse approaches to developing leaders. Current family business literature places much greater focus on succession than on leadership development. (Dyer & Sanchez, 1998). Whatever the present state of leadership development, the future will likely have different demands and requirements (Vicere & Fulmer, 1997). Vicere and Fulmer suggest we are in an emerging age of leadership discovery. This discovery is fraught with uncertainty, risk, and the need for creating new maps of leadership reality. "Our old maps for leadership development no longer accurately reflect contemporary reality. At the same time, it appears that where we stand today is simply a temporary stage" (Vicere & Fulmer, 1997: 239). Fulmer (1997) writes that the evolving paradigm of leadership development is learning oriented, an ongoing process, action focused, uses alliances, outcomes oriented, and can take place anywhere.

Approaches to building a new generation of leaders are diverse but the urgency is shared. McCauley et al. (1998) recommend a systematic leadership development approach that melds assessment, challenges, and support. McCall (1998) researched organisational leadership development and reports that effective approaches encourage individuality, create appropriate learning experiences, and strategically align with corporate initiatives. Vicere and Fulmer (1997) benchmark effective corporate leadership development that blends traditional executive education with real-world learning laboratories. Conger and Benjamin (1999) researched leadership development best practices in 12 organisations. They recommend primary developmental approaches of skill enhancement, transfer of organisational leadership values, and creating ability for strategic intervention. Tichy

(1997) blends his equally high-level academic and corporate expertise to explore case studies in the creation of a leadership engine that builds leaders at every level of the organisation.

Newly appointed leaders may not be prepared to lead their organisations. Caudron (1999) reveals “66 percent of senior managers hired from the outside usually fail within the first 18 months” (Caudron, 1999: 72). Perhaps this is good news for family businesses where leaders usually come from the inside. Bennis and O’Toole (2000) point out the severity of the current leadership crisis where over one-third of company CEO’s have been replaced since 1995 – certainly not all or even most of this can be attributed to natural turnover. The urgency is real as the global economy becomes increasingly interconnected and organisations race to become or stay competitive. Family businesses are not exempt from competitive realities.

The Center for Creative Leadership focuses on understanding and promoting leadership development. Their Handbook of Leadership Development (McCauley et al., 1998) is the result of research on best practices. They write that leadership ability development is truly a developmental process and as such it takes time. Their approach is synergistic and multidimensional:

1. “Create a variety of rich developmental experiences that each provides assessment, challenge, and support”.
2. “Enhance people’s ability to learn from experience”.
3. “Use an approach that integrates the various development experiences and embeds them in the organisational context” (McCauley, 1998: 21).

Foster (1995) adapts the Center for Creative Leadership approach to family businesses and advises senior leaders to enter a learning agreement with the younger generation. Assessment of performance and feedback are an important aspect of leadership development (Foster, 1995; McCauley et al., 1998). Foster (1995) particularly notes that assessment and feedback may be difficult because of family ties.

As discussed earlier, there is no one set of traits and skills that always result in successful leadership (Bass, 1990; Gardner, 1990; Yukl, 1998). However, there may be a cafeteria-style common core desirable family business leader attributes and skills (Chrisman et al., 1998) Chrisman et al. (1998) conducted a study of 485 Canadian family firms. They found that integrity and commitment were the most desired attributes for next generation leaders. The older the family business, the more valued these two attributes became to the senior generation leader. In addition to integrity and commitment, the top 10 desired attributes (in order) of family business are respect of employees, decision making abilities and experience, interpersonal skills, intelligence, self-confidence, business experience, and past performance. Out of 30 attributes evaluated, the five least valued are age of the successor, blood relationship, ownership share, gender, and birth order.

There are common themes and best practices for building leaders. This section of the literature review discusses leadership development that incorporates assessment, life-long learning, learning organisations, values and ideals transfer, and leaders creating leaders.

2.6.1. Assessment in Leadership Development

The Center for Creative Leadership was a pioneer in 360-degree feedback or assessment. Opinions are gathered from subordinates, peers, superiors, customers, suppliers, and other stakeholders to gather a rounded assessment of an individual's performance. Used properly, this multiplicity of views enhances self-awareness, helps unfreeze individual behavior patterns, and focuses on leadership development and career planning (McCauley et al., 1998).

Matthews, Moore, and Fialko (1999) recommend a cognitive categorisation approach to leadership assessment in family business. This is way of categorising objects and people that is grounded in social information processing theory. They describe cognitive without conscious awareness. Or, it may occur when the individual observes behavior that is not consistent with "categorisation schemata or prototypical expectations" (p.161). When this happens, the individual categorises observed behavior. Matthews et al. argue that parents or senior leaders

assess their own leadership and make preliminary assessments of potential leaders using cognitive categorisation. They encourage the younger generation to conduct conscious self-assessment and consider personal interest in leading the business. By using conscious cognitive categorisation, the generations may come together to discuss assessment weakness and strengths. Then an agreement may be entered into regarding technical and emotional processes for when the current leader formally steps down and the new leader takes over (Matthews et al., 1999).

Learning and assessment can become self-motivated over time. Drucker advises that great achievers are able to manage themselves over a lifetime to continue learning and growing: “We will have to learn to develop ourselves.... And we will have to stay mentally alert and engaged during a 50-year working life, which means knowing how and when to change the work we do” (Drucker, 1999:1).

Assessment is not necessarily formal. It takes place every day through the informal judgements and opinions formed by superiors, team members, and potential leaders themselves. There are many tools that measure various leadership characteristics. However, it is how assessment becomes action that truly affects leader development. The old paradigm of age-based career and leader progression may be gone. Vicere and Fulmer propose: “Age can no longer be considered a valid indicator of an individual’s stage of development. Today the determining factors must be an individual’s expertise and experience base” (Vicere & Fulmer, 1997:22). The competitive organisation must assess potential and prepare leaders at all levels. Swiftly changing competitive forces suggest the need for leadership reserves – even in family businesses. Assessment is one tool to start building those leadership reserves.

2.6.2. Lifelong Learning

Boyatzis (1999) bases his demands for a lifelong learning orientation on the assumptions that an individual’s needs and interests change over time, and that

the organisation's needs for its employees change over time. The willingness to change must inherently come from the individual no matter what the demands or invitations from the organisation. A learning organisation requires an organisation sufficiently peopled with learners.

Harris, vice-president of Pacific Gas & Electric, bluntly expounds on the need for lifelong learning: "Your sheepskin comes with a shelf life – maybe an expiration date. The demands of modern business require that workers at all levels keep picking up new skills and knowledge throughout their careers" (Harris, 1996:19). Pacific Gas & Electric uses a leadership development combination of assessment, ideal traits, simulations, and challenging experiences to help potential leaders learn.

The luxury of semi-retiring on the job while handling routine matters is not what a leader can expect. What was or is good enough now will never be enough tomorrow. Vicere & Fulmer (1997) consider lifelong learning a competitive necessity: "As we look forward the future, the pace of change competition has significantly increased the stakes of leadership and organisational development. This pace is so relentless that the need for lifelong education is now a given: (p.247). A learning orientation separates those who become leaders by learning from experience from those who simply experience.

2.6.3. Learning Organisations and Leadership Development

Senge (1990) describes the concept of learning organisations. Using systems thinking in the learning organisation model, top leaders may move closer to strategic leadership development of next generation leaders. Richardson (1995) suggests there are hard and soft learning styles in learning organizations. Hard learning is organisation administered. Soft learning is self-organising and engages learning through networks. Leadership development may be approached from both perspectives. Of particular challenge for learning organisations is that smart people who hold key leadership positions may find it the most difficult to learn.

Argyris (1991) suggests competent professionals can get into a habit of avoiding learning. Their success in previous formal education may create arrogance and blindness toward continued learning. For ongoing leadership learning to take place, self-evaluation and healthy self-criticism are important behaviors.

Senge (1997) suggests organisations move to create communities of leaders and learning. For Senge, the key to competitiveness is learning. A community of leaders and learning includes line leaders, top leaders, and internal networks. He notes the three critical activities for long-term institutional learning are research, capacity building, and practice. Senge sums up much of the thought on next generation leadership needs: “Posed at the millennium, we confront two critical challenges – (a) how to address deep problems for which hierarchical leadership alone is insufficient and (b) how to harness the intelligence and spirit of people at all levels of an organisation to continually build and share knowledge. Our responses may lead us, ironically, to a future based on more ancient and more natural ways of organising – communities of diverse and effective leaders who empower their organizations to learn with head, heart, and hand” (Senge, 1997: 31).

Learning organisations nurture leaders and next generation leaders must be committed to nourishing learning organisations.

2.6.3.1. Stories as a Language of Leadership

Effective leadership and organisation development may involve stories and story telling. As defined in Chapter 1, stories are the narrating or relating of an event, series of events, description, or anecdote that may or may not be true (Flexner & Hauck, 1983), and may comprise heroes, myths, legends, and metaphors (Forster et al., 1998). If the vision and message are framed effectively through stories, storytellers may influence current and future leaders. Stories may be one aspect of the learning organisation.

Fairhurst and Sarr (1996) teach leaders how to use stories that create visions of what new realities can be like. Calling it the art of framing, they suggest stories are just one more communication approach in the language of leadership. Appropriate framing of the story helps tune out distracting noise while at the same time adding clarity and depth to the story message. Kouzes and Posner (1999) describe how stories often appeal not to the rational side but to the heart. The high-high leader (a blend of emotional and intellectual intelligences) will know and use the power of stories. Stories are one way that people learn and remember. In a university-based example, Kouzes and Posner (1999) describe the effect of one story on usually highly analytical MBA students. Faculty at Stanford University used four methods of persuasiveness in convincing MBA students to believe a particular company's policy on employee layoffs: (a) the story only, (b) statistics only, (c) statistics and the story, and (d) a policy statement. Several months later, students in the "story only" group were the most convinced and had the most clarity about the employee layoffs policy. As Kouzes and Posner note: "Numbers are abstractions of reality; the *story* is the reality" (1999: 100).

Tichy (1997) suggests world-class leaders have "the ability to weave all the other elements [of leadership] together into vibrant stories that lead their organisations into the future" (Tichy, 1997: 105). Stories can be powerful mechanisms for creating or sustaining corporate culture and change. How the story is framed and the clarity of the message are keys to effective story telling.

Hansen and Kahnweiler (1993) write that stories can create behavioral expectations in relationships and organisations. Storytelling influences future leaders and leadership through inherent cognitive framing. This cognitive framing through stories is accomplished through embedded codes of valued behaviors, culture, ideals, and morals. Stories also help

leaders inspire followers. Leaders who craft a clear story advance the values and mission agenda of the organisation. Drawing upon the analogy of two stone masons, Conger (1991:31) demonstrates how the ability to describe can change everything: “Two stone masons who, while working on the same project, were asked what they were doing. The first said that he is cutting stone, the second said that he is building a great cathedral”. The second mason described a framing that added greater meaning to his labor. Leaders may need to bring the energy and imagery of stories to bear in articulating mission in ways that inspire followers.

Stories motivate employees and sometimes become self-sustaining (Durrance, 1997; Forster et al., 1999). Gardner (1995) describes how the telling of stories and the stories of leaders’ lives may become powerful influencers in direct and indirect leadership. Stories are mechanisms for leaders to build next generation leaders.

Perhaps the best way to sum up a discussion of stories and leadership is to talk about the new story as proposed by Wheatley (1997: 23). The old story of western culture has emphasized a universe where everything is like a “grand, clockwork machine”. The new story is different: “Our experience and our beliefs tell a story that celebrates life rather than denying it.... We are learning to give voice to a different and fuller sense of who we really are” (p.26). For Wheatley, “life needs to link with other life” (p.28). The new story is about new possibilities and the tangled web of interdependence. Leaders who live the new story can change the world: “[We] understand ourselves differently by the way they [story tellers] lead. They trust our humanness; they welcome the surprise we bring to them; they are curious about our differences; they delight in our inventiveness; they nurture us; they connect us. They trust that we can create wisely and well, that we seek the best interests of our organization

and our community, that we want to bring more good into the world.
(Wheatley, 1997: 33).

The new story is about the human spirit. Wheatley invites leaders and followers into the story and its telling.

2.6.4. Experiences that Mould the Leader

Is 20 years on the job really 20 years experience? Longevity does not necessarily mean more experience. It may be that instead of 20 years experience an individual has 20 times worth of one year's experience.

Experience can be a powerful tool in shaping leaders. Jobs and assignments can be developmental by incorporating position transitions, change activities, high levels of responsibility, non-authority relationships, and obstacles (McCauley et al., 1998). For example, experiences of creating change through launching a new product, dealing with a crisis, hiring staff, or re-organising a business unit are leader molding opportunities. How the individual handles and learns from experiences sets the stage for the next phase of leader learning. One way some family businesses approach gaining experience is to require the younger generation to work elsewhere before joining the family business (Zaslow, 1986).

Building leaders through orchestrated experiences is a fundamental issue in military leadership development. Craig (1999: 7) describes operational assignments as one of the three fundamental areas that build leaders. The other two are institutional training and education, and self-development. Operational assignments place leaders in positions where they can practice what they are learning elsewhere. The operational experience becomes an opportunity for individuals to learn, to prove themselves, to be assessed, and to practice. Craig summarises: "Operational assignments provide opportunities to master skills and demonstrate values and attributes essential to effective leaders of character and competence". Based on performance, "promising leaders are selected for

progressive promotions, appropriate schools and utilisation assignments”. The experience itself is linked to ongoing classroom learning and feedback. Battalion commanders create organisation level plans to synthesize all ongoing leader development (Craig, 1999).

Cacioppe (1998), and Dotlich and Noel (1998) are advocates of action learning. Action learning is a process where leaders are created (or recreated) through intense training and team interactions that link personal goals with organisation goals. The focus is to tie learning to action and action to learning. Dotlich and Noel propose that the combination of action and learning will result in change. Recreating leaders through intervention oriented action learning helps developing leaders to work cross-functionally, globally, technologically, and better equipped for a rapidly changing world.

2.6.5. Values and Ideals Transference

A high priority in leadership development is transferring desired values and ideals to new leaders. Fields (1999) focuses on preparing young leaders for a new century at the National Black Student Leadership Development conference. The overarching message is an invitation to emerging leaders to rise above what is said of them, to build relationships, and to consider spiritual and ethical growth as keys to leadership development. This is a preliminary step to the later organizational values and ideals transference that happens in successful organizations.

According to Hall (1995), there is a process of personal consciousness development in values. He suggests there are four developmental phases of values consciousness starting with survival and growth, moving to belonging, then to self-initiating, and perhaps to interdependence. In the interdependence phase, value-based goals are intimacy, solitude, truth, wisdom, global harmony, and word or using the power of language. Attention to expansion of values consciousness is a component of planned leadership development.

As noted earlier, Ward and Mendoza (1996) identify development in the area of civic responsibility as a key issue for emerging family business leaders. Dalla Costa (1998) holds that leadership is a key to the value of ethics in the community/organization relationship: “ The CEO needs that inner discipline and vision to balance the self-interest and competitive instincts demanded by the market with the legal and moral responsibilities expected by the community” (p.211). Contrast this 1998 perception with Donnelley (1964) who saw business dysfunction because the family’s values resulted in financial support of employees beyond what was required by law. Family businesses may be uniquely positioned to exert value-based influence on their organizations and communities.

Lercel and Field (1998) write that the transfer of leadership is more than competencies and capabilities. They argue that it is critical to transfer to the next generation the values and ethics that are the organisation’s heart and soul. Collins and Porras (1994) place less value on individual leaders than they do on the ability of an organization to extend core values across generations of leaders.

The concept of having an organizational leadership “brand” is proposed by Intagliata, Ulrich, and Smallwood (2000). In this framing, effective leaders in a particular organization exhibit key characteristics that align with organization values and strategic initiatives. Leadership brands might be considered a value orientation. Drawing on product brands as a parallel, they describe the premier leadership abilities and performances that may be attained if organizations were to concentrate on developing the style of leadership that best suits them. Perhaps this is what the senior generation of family business leaders do in their personal approach to leadership development (Foster, 1995). The risk may be, however, that too much leadership development to meet existing needs prepares leaders for an environment that may exist in the future. (Vicere & Fulmer, 1997).

There must be clarity for leaders to transfer values to the next generation. Tichy (1997) writes that there are certain values-oriented characteristics of winning leaders. Such leaders communicate clear values to the entire organization, ponder and reflect on values to align goals, exemplify values in personal behavior, facilitate others in applying values, and correct others who are not appropriately living the organisation's core values (p.108).

Developing core values and ideals in emerging leaders may be linked to research on critical thinking. Elder and Paul (1998) write that critical thinking goes beyond information learning to forming "virtues of the mind". They suggest critical thinking defines one's character by building intellectually framed integrity, empathy, humility, courage, and perseverance. Critical thinking is needed not to simply learn information, but to shape characters and thus lives. This may be an integral need in leadership development for tomorrow's world. One might ask whether organizations have become so accepting of all values that in the end they do not stand for any values. Collins and Porras (1994) say the best companies do stand for something and have core identities that mould leaders across the years.

2.6.6. Leaders Creating Leaders

A common message in the literature is that top leaders cannot leave to others the creation of new leaders (Craig, 1999; Tichy, 1997). For the family business and senior generation this is especially critical. Family businesses need leaders who are teachers. Perhaps this may be an unidentified asset because of the parent-child relationship.

Leaders of two companies speak to the heart of leading and teaching the next generation. Bossidy identifies leading with teaching: "How am I doing as a leader? The answer is how are the people you lead doing?... You won't remember when you retire what you did in the first quarter of 1994, or the third. What you will remember is how many people you developed. How many people you helped have a better career because of your interest and your dedication to

their development.... When confused as to how you're doing as a leader, find out how the people you lead are doing. You'll know the answer (Tichy, 1997: 41). Reimer describes the importance of leader development: "Identifying and developing the future leaders of America's Army are most important functions.... They will be faced with a constant tug-of-war between near-term readiness and leader development and carve out the time to talk with young leaders.... The greatest legacy we have is how well we've trained our subordinates.... How well we have done can generally be measured by the next generation of leaders and the performance of their soldiers (Craig, 1999:7).

Cacioppe (1998: 194) reminds us that great leaders of history such as Gandhi and Martin Luther King were also great teachers who "were able to transform some of their disciples into leaders during their lifetimes. If they were unable to do this their visions would have been short-lived". Palmer (1998: 161) says leaders must give place and space for learning and that good leadership sometimes means teaching. A leader who is a teacher engages in a journey: "A journey beyond fear and into authentic selfhood, a journey toward respecting others and understanding how connected and resourceful we all are". Tichy (1997:42) sees teaching as the difference between leaders and those who fall short: "Winning leaders are distinguished from wannabees - from bureaucrats, dictators, and managers - by their extraordinary success at teaching others to be leaders as well".

The creation of emerging leaders requires buy-in and that rare commodity of time. Welch of General Electric spent 30 percent of his time on leadership development. Enrico, Pepsico CEO, spent 110 days in 18 months on personally coaching high-potential executives. This developing of leaders by the top leaders creates a "chain of followership" where followers go forth and get results ("The stuff of Leadership," 1997; Tichy, 1997).

Leader to leader development in family businesses is likely to be personal and relationship oriented compared to non-family businesses that are likely to

emphasise task development. Fiegener, Brown, Prince and File (1994: 324) write that non-family businesses place heavier emphasis on formal education than family businesses. Fiegener et al. suggest that family businesses more often perceive the “leader-successor interaction to be a superior form of development experience”. McCauley et al. (1998) suggest that possible developmental relationships include one-on-one mentoring, peer coaching, executive coaching and coaching in groups. According to Fiegener et al (1994), emerging family business leaders will receive the majority of their development coaching in one-on-one mentoring.

Leader builders who nurture others are a necessary part of successful companies. Building leaders is not just the province of the top leader. Yearout, Miles, and Koonce (2000) identify seven traits of leader-builders: (a) a vision of their own future, (b) consistent behaviors no matter what their organizational level, (c) continual emphasis on development of the leader pipeline, (d) identification of leadership competencies that support the mission, (e) strategic alignment with the organization and other leader builders, (f) the ability to thrive in teams, and (g) commitment to ongoing organizational renewal.

Caudron (1999: 72) writes that lack of planning and demographic realities have resulted in a leadership shortage. This shortage means that “stealing talent from the competition is no longer a viable option”. A proactive way to have the right leaders at the right time is to “grow your own”. For the family businesses that may include not only direct family members but also the families of employees. Galvin has a multi-generational perspective on growing leaders: “At Motorola, the way we will build over half of our leadership is through the children of employees. What better bloodline than the children of our employees to lead us for the next two or three generations?” (Bennis, 1998: 38).

2.7. Summary

Leadership development in family business may be accomplished in diverse ways. Assessment, experience, lifelong learning, learning organizations, values and ideals transference, and leaders creating leaders are only part of the picture. Leadership development needs to start at the top and become a way of doing business because it helps ensure the future (Tichy, 1997). Bennis and O'Toole (2000: 172) write that real leaders "humanely push people to meet challenging business goals, and all the while develop leadership skills in others. Real leaders, in a phrase, move the human heart". Moving the human heart can never be reduced to the mechanistic and rarely happens by chance (Kouzes & Posner, 1999).

This chapter has summarized relevant family business, leadership, and leadership development literature. Chapter 3 describes research methodology with a survey/interview approach to answering the research questions about leadership and leadership development issues in family businesses.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

The purpose of this study was to investigate leadership and leadership development issues in family businesses. The preceding chapters have introduced the research study background and reviewed literature of leadership and leadership development issues as related to family businesses. This chapter explains the research study design and methodology.

This research study of leadership and leadership development in family business used qualitative methodology. Conger (1998), a self-declared organization anthropologist, writes that qualitative research is particularly valuable as a methodology for leadership research. Using imagery comparing the leadership qualitative researcher to spelunker, he describes descending into a cave without a clear understanding of what it will be like. Once in the cave, the spelunker has flexibility and may explore the cave phenomena to deeper levels or follow individual passageways. As the spelunker explores, a fuller understanding of the cave's structure is revealed bit by bit. The spelunker needs to have discretion and flexibility, understand relationship(s) of the part to the whole, and to think like a cartographer. Linking the analogy to leadership, Conger says: "Likewise, leadership which is vastly more complex than any cave structure demands similar capabilities in its explorers" (1998¶3). He concludes: "Qualitative methods are ideally suited to uncovering leadership's many dimensions.... These methods allow us to probe at great levels of depth and nuance in addition to offering researchers not only the flexibility to explore the unexpected but to see the unexpected" (¶57).

Bryman, Bresnen, Beardsworth, and Kiel (1998) suggest us of qualitative approaches in the study of leadership. They particularly emphasise that qualitative research is more likely to take the "actor" or subject's viewpoint and thus "bring to the surface issues and

topics which are important yet which are omitted by relying on the researcher as the source of what is relevant” (1998: 16). This research study focused on subjects’ perceptions of leadership and leadership development issues in family business. This research study expected an emergence of patterns and themes with a blending of the phenomenological, mini-case insights, and possible development of grounded theory. McCracken (1998) notes: “Qualitative research normally looks for patterns of interrelationships between many categories” (1998:16). He further explains that qualitative methods allow for less precision but broader perspectives.

3.1.1. Problem and Purposes Overview

As noted earlier, a study by Arthur Andersen/MassMutual (1997) found that 28 percent of family firms surveyed expect a leadership transition within five years, and a total of 53 percent expect a leadership transition before 2007. With family businesses comprising a large portion of the American business population, the issues of leadership and leadership development in family businesses are of great interest. With the increasing number of entrepreneurs emerging in South Africa these issues will definitely become more notable in the future. However, there is limited research at the intersection of family business, leadership, leadership development, and learning across generations (Dyer & Sanchez, 1998). This study investigated the leadership and leadership development issues of family businesses.

3.1.2. Research Questions

The research questions of this study were:

1. What are the leadership and leadership development issues of family businesses?
2. How is leadership learned across generations in family businesses?
3. What stories of overcoming challenges are told and retold in family businesses? What are the leadership lessons here?
4. What are the family business leadership needs that might be addressed effectively through education and research?

3.2. Population and Sample

The research population was family businesses in South Africa. Family business was defined as (a) self-perception (i.e. self-identification) as a family business, and (b) 50 percent or more of the business is owned or controlled by family members. The sample of 100 family business positional leaders was compiled from the following sources:

1. A listing of companies on the Johannesburg Stock Exchange. I had to contact potential family owned or controlled companies that are listed.
2. Ntsika – Enterprise development. They could only partially assist as their database of family owned business was not available.
3. My personal database of companies that I have been exposed to through my business dealings.

The designation of positional leader in a family business was determined to mean a person in authority at upper levels of the company. The sample desired was family business leaders holding positions primarily as chairmen/women, presidents, CEO's, directors, and partners.

The sample may not have been representative of family businesses in general. The sample was compiled by selecting at least 10 firms from different sectors of our industry. Companies were picked from the manufacturing, wholesaling, retailing, engineering, insurance, packaging, and other service related industries.

3.3. Data Collection and Instrumentation

Two methods of data collection were used. The first method was a survey of 86 family businesses in the sample described above. Interviews were the second method with a selection of 7 leaders that were easily accessible to me.

Gall et al. (1996) defines triangulation as: "The use of multiple data-collection methods, data sources, analysts, or theories as corroborative evidence for the validity of qualitative research findings: (p. 773). Researchers use triangulation to overcome the bias of one

particular approach and to validate the research (Denzin, 1997). As Denzin explains: “The most fruitful search for sound interpretations of the real world must rely upon triangulation strategies: (1997: 319).

Interview and survey methods of qualitative research are triangulated with the reviewed theories of leadership and family business literature in Chapter 2. Documents from interview respondents such as values/ mission statements are also included in the triangulation. The results are not generalisable to the larger population of family businesses. However, it is expected that the results will provide greater insights on leadership and leadership development issues in family businesses.

3.3.1. Survey Methodology

The first approach to seeking family business leader insights and perceptions, as framed by the research questions, was through a survey (see Appendix A). The survey was sent to leaders at business addresses. The survey instrument included an explanatory introduction. Participants were asked to answer descriptive questions in order to provide context to their research question responses. Descriptive or background characteristic questions included (a) qualification as a family business, (b) longevity and nature of the business, (c) number of employees, (d) family generations since founding of the business, (e) family generations involved in the business, (f) gender, and (g) current leaders position. Respondents were given the option of identifying themselves or remaining anonymous. Participants responded to 10 demographic questions followed by five open-ended questions. The open-ended questions allowed respondents to reply as desired. The deliberate openness of the research questions was designed to allow the respondent freedom to generate his or her own response and not be bounded by pre-selected categories (Patton, 1990). The survey assumed that respondents have the ability to read and understand the questions.

The purpose of the survey was to seek the sample’s perceptions and insights on the research questions. Furthermore, the survey sought information on

demographic background characteristics to add context to the respondents' insights and perceptions (Rosier, 1997).

A total of two follow-up letters (see Appendix A) with the survey enclosed were sent at two weeks and four weeks after the initial survey was sent. Due to the top-level business positions of the sample and open-ended nature of the questions, a lower response rate was expected. The final response rate was 40 out of 100 or 40 percent. Of this, 26 of the 40, or 65 percent of the respondents and 26 percent of the sample met the criteria of a family business as defined previously. See Chapter 4 and Tables 2, 3, and 4 for details on response rates and a profile of the respondents. This research study had the addition of interview data. Leon-Guerrero, McCann, and Haley (1998) conducted a survey of owners and leaders of family businesses in America with 231 respondents and a 23 percent response rate. An American survey of family business leaders conducted by Arthur Andersses/MassMutual (1997) had 3 033 respondents and a response rate below 10 percent.

3.3.2. Interview Methodology

The second approach to seeking family business leader insights, as framed by the research questions, was through interviews. As noted previously, seven family businesses were purposefully identified from the sample. Patton (1990: 278) writes: "The purpose of interviewing is to find out what is in and on someone else's mind". This research study used interviews to add depth and allow for follow-up questions. The interview interaction sought to elicit the perceptions of the interviewees. The intent was for the interviews to lead to "thick and rich descriptions" (Rubin & Rubin, 1995) of leadership and leadership development issues in family businesses. The style desired for the semi-structured interviews was one of guided conversation – where the family business leader(s) felt comfortable and willing to vocally reflect. Marton (1997: 99) describes the interactive nature of phenomenological interviews: "The interview has to be carried out as a dialogue". The interviewer and the interviewee come together in a

common experience. Marton explains that as this dialogue unfolds, the experiences and understandings “are aspects of the subject’s awareness that change from being unreflected to being reflected (1997: 99).

Beginning with the sample as previously described, the smaller interview sample also satisfied at least two out of the three following criteria: (a) rich response on a returned survey, (b) a significant company in South Africa, or (c) external involvement in family business issues on a regional or national scale. A total of seven interviews were requested. Theses seven family business leaders and their firms most closely met the criteria. Of those contacted, five family businesses agreed to participate. Two family business leaders declined to be interviewed.

The process fro requesting interviews began with a letter and interview questions being sent to selected members of the sample as per criteria. The letter invited the family business leader to engage in an interview on leadership and leadership development issues in family business. The letter was (a) personally addressed, (b) explained the purpose and importance of the study, (c) provided an enclosure of interview questions, (d) offered a summary of study results, (e) requested the privilege of audio taping the interview for purposes of accuracy in data analysis, (f) indicated a desired time frame, and (g) invited a response (Gall et al., 1996; Patton, 1990). Upon acceptance, time and location were established according to interviewee choice.

There were semi-structured (Fontana & Frey, 2000) face-to-face interviews with seven family business leaders representing five companies of the sample previously described. These included two joint interviews where the interviewees were co-leaders. The interviews were conducted in an interactive dialogue format using an interview guide (see Appendix A). This semi-structured approach permitted follow-up questions including probing (Patton, 1990). The interview guide provided the outline for topics to be explored thus helping to ensure that “basically the same information is obtained from a number of people” (Patton,

1990: 283). All the interviews were audio taped. The researcher used minimal note taking in observation of the interviewees' non-verbal behavior and other cues.

The researcher sought to establish trust with each interviewee. It was important that interviewees believe the researcher was truly interested in their perceptions, was conducting the research for the purposes stated, and did not have a non-stated personal agenda. To work toward this, the researcher was open as possible, assured and ensured confidentiality, and conducted the interviews based on informality – formality cues from interviewees (McCracken, 1988). During the opening stages of the interview, McCracken advises that is especially critical that respondents believe the interviewer truly wants to listen to their insights. The researcher sought to allow exploration of perceptions in a benign approach (body posture and facial gestures) in order to help limit respondent concern about possible “loss of face” control (McCracken, 1988). As interviews were ongoing, the interactive process prompted certain follow-up probing approaches (Rubin & Rubin, 1995). Where available, the researcher collected documents from interviewees including mission/vision statements, mini-histories, and policies on family members entering the business.

3.4. Data Analysis

As Patton reminds researchers: “The purpose of qualitative inquiry is to produce findings. The process of data collection is not an end in itself” (1990: 371). This researcher’s abilities to conduct data and analysis have been informed by the literature review, personal experience, and academic course work.

The research study data analysis began with surveys and continued with interviews while surveys were ongoing. The researcher looked for patterns and themes emerging from respondents’ perceptions in the data. Rubin & Rubin (1995) suggest this is a richer approach than trying to use existing academic literature frames to categorise respondents’

answers. The literature review also became valuable in sharpening the qualitative researcher's ability to look for surprises arising out of the data (McCracken, 1998).

Organizing the data was the first step in data analysis. This included full verbatim transcription of audio taped interviews. Interviewer observational notes were annotated to the raw interview data in word processing software. Survey data were recorded by respondent and then cross-compiled by research question. Demographic background characteristic data were analysed with spreadsheet software resulting in descriptive statistics of respondents and organizations.

In-depth review of the data was the next step. Patton writes: "The analysis of qualitative data is a creative process. It is also a process demanding intellectual discipline, analytical rigor, and a great deal of hard work" (1990: 381). It may be difficult to prescribe a definite approach because of the creative nature of qualitative data analysis. McCracken (1998: 41) notes: "The exact manner in which the investigator will travel the path from data to observations, conclusions, and scholarly assertion cannot and should not be fully specified". The analysis process began with reading, re-reading, and sorting the data. This led to inductive analysis of categories, patterns, and themes (Patton, 1990).

Analysis of the data moved from very detailed through successive stages to the general. With the emergence of patterns and themes, the analysis continued through a "delimitation process whereby irrelevant, repetitive, or overlapping data are eliminated" (Patton, 1990: 408). Through this data reduction, the researcher connected patterns in building toward overarching themes of leadership and leadership development issues in family business. The structural synthesis of the data emerged from the patterns and themes.

The findings are reported in themes. The themes are phrased in the present tense in keeping with respondents' perceptions that leadership and leadership development in family businesses is an ongoing process. To give context to the themes, demographic background characteristics of the respondents were described using descriptive statistics.

Findings for each research question are specifically addressed in Chapter 4. A sampling of stories or comments generated from the research question are presented as representative of themes. Rubin & Rubin (1995: 234) suggest that stories may sometimes be told by respondents to “describe themselves in ways that would be inappropriate to say directly”. The “thick” approach of qualitative analysis connected respondents’ individual answers to the research questions. This led to a richness of patterns and themes that proved of value in providing insights to family business leadership and leadership development issues. Quality control in qualitative analysis was of concern. The rubric for quality data analysis was in five areas: (a) exactness – or precision in explanation, (b) economy – or avoidance of redundant explanations, (c) mutual consistency – do themes and patterns fit with each other?, (d) external consistency – is there linkage to other inquiry, and (e) unity – the study results are not presented as a chain but as interrelated themes and patterns (McCracken, 1998).

3.5. Summary

The sample for this research study was family businesses in South Africa. Data was collected through surveys, interviews, and interviewee documents. Data analysis followed a process from the specific to the general in looking for patterns and themes emerging from the data. Table 3.1 describes the research design and methods matrix. A profile of respondents and research findings are described in Chapter 4.

Table 3.1

Research Design and Methods Matrix

| Research Question | Method(s) | Analysis |
|------------------------------------|-------------------|---------------------------|
| 1. Leadership issues | Survey, Interview | Themes, Patterns |
| 2. Leadership learned | Survey, Interview | Themes, Patterns |
| 3. Stories and lessons | Survey, Interview | Themes, Patterns |
| 4. Education and research needs | Survey, Interview | Themes, Patterns |
| Demographics | Survey, Interview | Descriptive statistics |

CHAPTER 4

RESULTS OF THE STUDY

4.1. Introduction

The purpose of this study was to explore leadership and leadership developmental issues of family businesses as perceived by family business leaders. Surveys and interviews were used to collect data. The previous chapters have presented an overview of the study, reviewed relevant literature, and defined the research methodology. This chapter describes response rates, demographics of respondents, and then presents findings for each research question.

4.2. Respondents

The qualitative research design and response rates of surveys and interviews are described in Chapter 3 and summarized in Table 4.1. All of the returned surveys were usable. After answering the first two questions, the 40 respondents either met or did not meet the criteria of family business. The criteria to be considered a family business were (a) self-perception as a family business, and (b) 50 percent or more of the business is owned or controlled by family members. Interviews were conducted with seven leaders representing five organizations. See Chapter 3 for discussion on response rates compared to other family business leader studies.

The geographic representation of respondent family businesses covered 5 cities, Johannesburg, Durban, Cape Town, East London, and Pretoria.

Table 4.1

Response Rates

| Method | Number | Percentage |
|--|--------|------------|
| Surveys mailed | 100 | 100 |
| Surveys returned | 40 | 40 |
| Met criteria as family business | 26 | 26 |
| Did not meet criteria as family business | 14 | 14 |
| Interviews requested | 7 | 100 |
| Interviews granted | 5 | 71.4 |
| Individual interviews | 3 | 42.8 |
| Co-leader interviews | 2 | 28.6 |

Respondents were leaders in South African businesses. Leaders were defined to mean a person in authority at the upper levels of the firm. Ninety six percent of respondents were chairman/woman, CEO's, directors, or partners. A profile of respondent demographics is found in Table 4.2. Respondents represented a variety of industries as mentioned in the previous chapter. Respondents represented a variety of racial groups. Organization sizes ranged from four to more than 5 000 employees. The number of generations involved ranged from one to five generations. The number of generations since the business was founded ranged from one to three generations. A profile of respondents' family businesses is found in Table 4.3. A list of those firms agreeing to identification is found in Appendix B.

Table 4.2
Profile of Family Business Respondents

| <u>Category</u> | <u>Percentage</u> |
|-----------------|-------------------|
| Title | |
| Chairman/woman | 18 |
| Directors | 33 |
| CEO's | 18 |
| Presidents | 7 |
| Partners | 20 |
| Other | 4 |
| Gender | |
| Male | 80 |
| Female | 20 |
| | |

Table 4.3

Profile of Respondents' Family Businesses

| <u>Category</u> | <u>Range</u> | <u>Mean or Median of Range</u> |
|-------------------------------|--------------|--------------------------------|
| Year established | 1920 to 2002 | 1968 median |
| Employees | | |
| Full-time | 4 to 5 000 | 374 mean |
| Part-time | 0 to 1 000 | 71 mean |
| Generations | | |
| Since founding | 1 to 5 | 2.3 mean |
| Currently in business | 1 to 3 | 1.8 mean |
| Of top leadership | 1 to 3 | 1.8 mean |
| Industry | | |
| | | Percentage |
| Manufacturing | | 20 |
| Retail | | 16 |
| Wholesale/Distribution | | 24 |
| Engineering | | 14 |
| Insurance/Finance/Real estate | | 8 |
| Other | | 18 |

4.3. Research Findings

This section presents findings for each of the research questions. Table 4.4 identifies the correlation between research questions and interview/survey questions (see Appendix A for survey instrument and interview guide).

Table 4.4

Correlation of Research Questions and Survey/Interview Questions

| <u>Research Question</u> | <u>Survey question(s)</u> | <u>Interview Question(s)</u> |
|---------------------------------|---------------------------|------------------------------|
| 1. Leadership issues | 11, 12 | 1, 2, 6 |
| 2. Leadership learned | 13 | 3, 6 |
| 3. Stories and lessons | 15 | 4, 6 |
| 4. Education and research needs | 14 | 5, 6 |

As previously described in Chapter 3, analysis of the data moved from the detailed through successive stages to the general (McCracken, 1998). Patterns were first identified, and then reduced (Patton, 1990) to connect in building toward overarching leadership and leadership development themes in family businesses. Research findings are presented in themes following each research question. The data sources of survey, interview, and interviewees' family business documents are indicated after each finding. Documents and direct quotations from the data are not cited so as to preserve anonymity. Agreement between interview and survey sources was based on highest frequency of response. Respondents often provided multiple answers to the same question. Additionally, responses to questions were not "clean" in that the resulting data are somewhat "messy" in spilling across and possibly applying to multiple research questions. As a result, frequency of response is presented as a "greater than" range. The frequency of response on a particular research question may exceed the number of respondents. Theme frequencies are provided to show the varying degree of response. Mission statements at times provided additional validation. Findings from survey and interview methodologies plus mission statement documents were compared with the literature.

4.3.1. Leadership and Leadership development issues

Research question one: What are the leadership and leadership development issues of family businesses? The research findings were:

1. Selection and development of the next leader is a primary issue. This finding was based on survey and interview data (n=>30).
2. Non-family employees are important in success of the business and sustaining values. This finding was based on survey and interview data (n=>10), and was further validated by mission statement documents.
3. Next generation family members have personal choice but no inherent right to be employed by the family business. This finding was based on survey and interview data (n=>10).
4. The next generation needs to work from an early age to learn the business and gain respect of the employees. This finding was based on survey and interview data (n=>10) and was further validated by mission statement documents emphasizing respect and the value of work.
5. Education and people skills are important for next generation family leaders. this finding was based primarily on interview data, and secondarily on survey data (n=>10) and mission statement documents.

These five themes had the highest frequency of response. The data indicated that selecting the appropriate leadership successor and development of that individual was a primary issue for family business leaders. Respondents reported pondering at length about it and exerting energies to select and develop the next leader. The larger the organization, the more likely that the senior generation would consider both family and non-family leaders to lead the business in the future. During intergenerational transitions a non-family member may be selected to lead the business as the next generation further develops leadership abilities. Non-family employees were considered important contributors to the success of the business and there was a perception that the idea of family extends to employees. Mission statement documents included phrases such as “maintaining a family environment” and “foster a spirit of family among all”. Family business leaders indicated that next generation family members have choice on whether to enter the business. For example, a survey respondent wrote: “We have two children... in college

pursuing interests not related to our business. Should either of them show an interest in taking the reins later on, they will have to learn leadership skills on the job.” Coupled with choice was the issue of employment rights. The data indicated the next generation has no absolute right to be employed by the family business. For example, one interviewee said: “We had a competitor in the industry that had a brother in the business and they kept an office and paid him but didn’t want him around. I couldn’t start doing that with cousins. The primary thing was not establishing a pattern that being a [family name] guaranteed anything. I had to fire one family member and that was one of the toughest things I’ve ever done but from a business standpoint it just wasn’t working.”

Entering the business early was valued not only for learning the business but also in gaining the respect of employees. Survey and interview respondents described sweeping floors, picking goods, working in the field, and other aspects of entry-level learning. Mission statements included phrases such as “work hard” and “founded on the principle of work ethic.” This long-term learning of the business also included gaining respect of employees. Formal education and the ability to effectively relate to people was a family business leadership and leadership development issue.

Secondary data themes for family business leadership and leadership development issues were: (a) There are both joys and conflicts in working with family members, (b) some family businesses deliberately do not intend to pass the business down to the next generation, and (c) the success of the business has higher priority than ensuring the next generation leads the business.

4.3.3.1. Fears and Concerns of Leadership and Leadership Development in Context of Succession

Embedded within perceptions of leadership and leadership development issues of family businesses were underlying fears and concerns related to succession.

These data themes were:

1. Will the next generation have both the ability and desire to lead the family business? This finding was based on survey and interview data (n=>20).
2. Will future generations preserve the values and culture of the firm? This finding was based primarily on interview data and secondarily on survey data (n=>20). An emphasis on preserving values and culture was inferred in mission statement documents.
3. Will the business be competitive in changing external environments? This finding was based primarily on survey data and secondarily on interview data (n=>10). An emphasis on being competitive and making profit was found in mission statement documents.
4. Will the next generation earn and receive the respect of employees? This finding was based on survey and interview data (n=>10).
5. Will the senior generation be able to let go during the transition? This finding was based on survey and interview data (n=>10).

There was a clear concern that the next generation will not have both the ability and desire to lead the family business. Respondents indicated that choice exists as to whether the next generation will be involved in the business. The option of choice was factored with a fear that the next generation will not attain needed levels of leadership ability. A concern about preserving organizational values was summarized by an interview respondent: "The biggest concern I have is whether either future family

generations or non-family managers will preserve the values and culture that exist in the business. My grandfather founded the business on a trust and concern for people and that was perpetuated by my father and his brothers, and I feel I've done the same. The family has been very supportive of the way of operating business. The last cent was never what we were about."

Mission statements emphasized core values related to honesty, integrity, persistence, quality, and caring for others. For example, one document highlighted the importance of values by stating goals of action "consistent with the philosophy and traditions of the family."

When considering leadership and leadership development in the context of succession, there was also concern about how to deal with changing business environments and evolving competitive realities. For example, a family leader noted in his survey response: "We feel that in our business as well as in the industry, the landscape is changing. What used to work doesn't anymore. The current as well as future generations must be willing to adjust everything." Competitive realities of concern to family business leaders included evolving technology, changing markets, and other forces like the economy, beyond the control of the family business leader.

The next generation's ability to gain the respect and loyalty of employees was a concern of family business leaders. Respect for employees and clients was a key value in mission statement documents. The survey and interview data indicated that without the respect of the employees, leadership succession would struggle and likely fail. One survey respondent described the pressure of taking over the family business: "For a skilled and motivated family member, assumption of leadership is a huge burden because there is always a level of skepticism. I was the first [family name] to work somewhere else and then come back. My success

outside was unblemished by my family name. You have to shake your ego every once in a while and remember other successes”.

The final major theme arising from the data about leadership and leadership development fears and concerns in context of succession was whether the senior generation would be able to let go during the transition. This theme emerged from interview and survey respondents representing both senior and younger generations.

The literature supported the importance of selecting and developing the next family business leader (see Aronoff & Ward, 1992; Daily & Dollinger, 1996; Foster, 1995) but selection and development has not received as much attention as other family business issues (Dyer & Sanchez, 1998). Ward and Mendoza (1996) supported the choice aspects of entering the family business whereas the concept of no guaranteed employment was supported by Kets de Vries (1993). Earning respect of employees was supported in the literature (see Chrisman et al., Handler, 1991). There are linkages between earning the respect of employees and Gardner's (1990) position that leadership is granted by followers. Although the literature described early work in the family business (see Gersick et al., 1997; Ward & Mendoza, 1996), the respondents tended to view “early work” as an earlier stage usually starting in the young teenage years. The finding of emphasis on preserving values and vision across generations was supported in the literature by Fiegner et al. (1994; 1996), Lercel and Field (1998), and Collins and Porras (1994). For example, Lercel and Field wrote that the transfer of values across generations is critical to preserving the organisation's heart and soul. The finding of value on non-family employees was not specifically supported in the family business literature except as pertains to evaluating credibility of the leader (see Chrisman et al., 1998).

4.3.2. Learning Leadership Across Generations

Research question two: How is leadership learned across generations in family businesses? The research findings were:

1. Leadership is learned by the active example of the senior generation. This finding was based on survey and interview data (n=>300).
2. Leadership is learned by hard work from an early age by learning the business from the ground up. This finding was based on survey and interview data (n=>20) and supported by the inclusion of mission statement phrases such as “hard work” and “work ethic.”
3. To some extent leadership is an innate quality. Although abilities may be enhanced, not every next generation individual is suited for leadership of the family business. This finding was based primarily on interview data and secondarily on survey data (n=>10).
4. Leadership is granted through gaining respect of employees and family. This finding was based on survey and interview data (n=>10), and supported by the inclusion of “respect” as a value in mission statements.
5. Leadership is learned by work experience either outside the business and/or at an extended distance from the senior generation. This finding was based primarily on interview data, secondarily on survey data (n=>10), and supported by interviewee family business documents requiring external work experience.
6. Academic degrees and continuing education enhance leadership learning. This finding was based on survey and interview data (n=>10) and supported by the inclusion of mission statement phrases supporting education.

The data indicated that leadership is learned by example. One survey respondent described how leadership is learned across generations: “This is done naturally by example. My father taught me values as well as mentored my development. You could write a book on how he did it. Now it is my turn to mentor by example.” Another survey respondent described the active commitment needed to teach by

example: "I think the leadership that is learned across generations is of huge value and it is critically dependent on the attitude and devotion of time by the senior generation. It is hard for family business leaders to find the time but it pays huge dividends. Those lessons will be with the next generation forever." He further explained the responsibility of the younger generation in learning: "You ought to nurture and develop the older generation in imparting that knowledge. The bond makes it an act of love to share." Even though example is important in learning leadership, there is also recognition that not all are suited for leadership. A third generation interview respondent indicated: "To some extent leadership is a quality that you either have or don't. I think it can be developed... but if they [future leaders] are moving through the stages and reach a dead end at some point, you just can't force them." Also on the theme of leadership and suitability, a survey respondent illustrated: "If I were the centre for the Sharks I would not expect my son or daughter to also be the centre for the Sharks. I also don't expect them to be the CEO of this firm." Personal choice as well as suitability may be involved.

The data indicated that leadership is granted by gaining respect of the employees and the family. In part, this involves the granting of trust and acceptance as a leader. The leadership role does not come by right of having the family name. Participants reported that gaining respect and earning leadership also involves hard work from a young age and learning the business from the ground up. Hard work was a value identified in mission statements. One interview respondent recalled learning his way: "There were a number of occasions that I took my lumps. It was probably a good thing, but it was made obvious to everyone in the company that I was being disciplined." A third generation survey respondent said: "Get to them young, start the process of imparting leadership lessons at a very young age.... If you haven't started them young, [in] getting to them late the penetration rate is much lower." The data indicated pressure on the younger generation to know more and perform better than non-family employees. Respondents indicated that in the process of learning the business by increasing degrees of responsibility, the next generation learns by the examples of others and

becoming immersed in the organisation's values. In addition to work experience in the family business, independent work experience was valued. Some family businesses require at least two years of external work experience. One attachment to a mission statement included a policy for family members entering the business: "Following the completion of formal college education, it is recommended that prospective career employees avail themselves of at least two years practical work experience outside of {business name}." Independent work experience was also perceived as gained inside the family business but at a physical distance from the senior generation. As one survey respondent indicated: "When they [the younger generation] are considered ready then they are put in charge of an area not too close to Mom and Dad. Now is when we find out if we are successful. Up to that point, we don't know. It's either sink or swim."

Earning academic degrees was perceived as part of leadership learning. The data indicated this is not as much for the content of the education but for the discipline of learning and the college experience. The data indicated that formal education should be followed by continuing education throughout the career of the leader. Mission statements included education as an emphasis.

There was a secondary data theme for learning leadership across generations. Respondents indicated that involvement of employees and outside mentors in helping the next generation learn by example is of value in family business leadership development.

The literature supported the role of example in leadership (see Foster, 1995; Gardner, 1990). Hunt and Laing (1997: 32) wrote: "Effective leaders espouse a clear set of values which are demonstrated, articulated, and repeated". Hunt and Laing supported the concept of leader as exemplar especially in regards to passing on vision and values. McCauley et al. (1998) and Craig (1999) supported the concept of work experience as leadership development practice. The value of education was assumed frequently in the literature but not specifically supported. The value of independent work experience was supported in the literature by

Barach et al. (1998) and Zaslow (1986). Handler (1991) and Chrisman et al. (1998) supported the finding of earning respect as a developing leader. Chrisman et al found that respect of employees was ranked third out of 30 possible attributes for leader successors.

4.3.3. Stories and Leadership Lessons

Research question three: What stories of overcoming challenges are told and retold in family businesses? What are the leadership lessons here?

Stories arising out of the data were replete with sacrifice, financial and legal crises, and disasters such as fire, floods, apartheid conditions, and early death.

The leadership lesson themes from these stories were:

1. Persistence, hard work, and sacrifice are required to build and sustain the family business. This finding was based on survey and interview data (n=>30).
2. Leadership includes focus on vision and values. This finding was based on survey and interview data (n=>20), and supported by mini-histories of family businesses that record and comment on stories.
3. The family business is about more than money. This finding was based on survey and interview data (n=>10).

The values of persistence, hard work, and sacrifice emerged out of the stories of family business. On founder, a survey respondent wrote of breaking his back in the early stages of the company. He recalled: "My brother quit his job to cover me in my down time (I fully recovered), and the company rising above this stage to become what it is today *is* our story." A third generation family business leader wrote of the sacrifice of his grandparents: "When the business started they had to sacrifice a lot. They could not own premises in most areas and had to work through nominees. They suffered to make ends meet because apartheid always kept us behind. They could not trade wherever they wanted to, times were harsh if you were not white. Today's youngsters have it all made, our grandparents and parents had it tough."

Examples of sacrifice and sustained hard work apparently encourage later generations to emulate the same qualities. Persistence in rebuilding after fires and other disasters were lessons learned and handed down. The data indicated the impact of the apartheid era and how it is still shaping values and leadership in family business.

Leadership vision often has a long-term focus. For example, an interview respondent described how the early leaders of his small family business bought their own building in Pretoria – a reality that today’s real estate prices would make very difficult. Leadership values extend across generations. Stories told of leaders and their actions become value based models for later generations. One interview respondent spoke of integrity - Adam’s integrity was evident when he was young and worked as an office boy for a brokerage firm in Johannesburg. This story is that he was doing well and the boss liked him. But the boss asked him one day to spy on another firm. Adam refused and was fired. More than 40 years after this event, the son of Adam spoke in an interview of his experiences outside the business that not align with the values of his upbringing and early work in the family business: “I had been raised by a family that was concerned for people, and I guess for lack of a better term perhaps. I think I ran the business on a religious [Islamic] value base. That was the world I saw. When I went to the outside world I really saw that, hey, not everyone runs their [sic] business that way. They’re not honest, or they don’t tell the truth, or they scratch and claw to get ahead of someone. I gained much more respect for the values that they [previous generations] ran their business on”.

A leadership lesson arising out of the stories was that the family business is about more than money. Family businesses appeared to welcome employees into the concept of family and encourage support of community. The stories illustrated that service to the community was valued and sometimes reciprocated. A survey respondent described how the family business had provided ongoing support to the very small township near the business. The sense of extended family and

community was evident in her story: “Last month we had to clear some trees and veld in order to make space for more houses. We were overwhelmed and the cost was prohibitive. One day 18 guys from the township showed up with saws and time. They felled the trees, built bonfires for limbs, used the backhoe for pulling stumps and backfilling the holes. I did not know they were coming. In one day the township spontaneously fixed our problem for free. Well not free, I provided some refreshments for everyone afterwards. Celebrating our comradeship, we sat around the fire, told stories and watched the stars in the sky.

The impact of stories was perhaps all the stronger because the possible combination of seeing them in action. One interview respondent said: “You don’t just hear the stories, you get to see them practiced. I got to see it by example as well as by him [Dad] telling me the good old stories of how things used to be done.”

The literature supported the power of stories to shape values and teach lessons (Kouzes & Posner, 1999). Hansen and Kahnweiler (1993, ¶61) supported the finding that stories create lessons of behavioral expectations in relationships and organizations. They write that “cognitive frames are reflected in storylines, especially their morals”. This confirms research findings about how leadership lessons arise out of the stories told and retold in family businesses.

4.3.4. Family Business Leadership Needs

Research question four: What are the family business leadership needs that might be addressed effectively through education and research?

1. How to lead amidst the emotional complexities of family business dynamics is an education and research need. This finding was based on survey and interview data (n=>20).
2. Formal and informal education in functional business areas is an education and research need. This finding was based on survey and interview data

(n=>20), and somewhat supported by the inclusion of education as a value in mission statements.

3. Models and education on effective leadership transitions that sustain values and vision are family business needs. This finding was based primarily on survey and secondarily on interview data (N=>10).
4. Forums that foster family business peer interaction are a family business need. This finding was based on survey and interview data (n=>10).
5. Practical insights and tools for dealing with ownership transfer and estate issues are a family business need. This finding was based on survey and interview data (n=>10).

The data indicated a desire for education and consulting on negotiating the complexities of family and business interaction. An interview respondent described this need: "Working with family members in and of itself sets into motion dynamics which can either help or hinder its [the business] success. Familiarization with some of the problems met and solutions arrived at by others with the same concerns can be very motivational in seeking remedies for family run businesses".

Family business leaders perceived a need for education and research on leadership transitions. For example, a survey respondent wrote: "Research should survey successful transitions and develop process models, timelines, sticking points, etc., which essentially become a process checklist for the entire endeavor and identifiable segments".

Of special concern in leadership transition is the transfer of values and vision to the next generation. Education needs included how to articulate vision and goals, understand and apply high standards of business ethics, and build strength in interpersonal interactions. The opportunity to exchange ideas and learn from other family business leaders was identified as a theme. Possible forums for this include conferences, seminars, informal gatherings, and general exposure to other family

business leaders. Ownership transfer and estate issues were identified as education and research needs. For example, a survey respondent wrote: "I am always surprised at how little there seems to be written with regard to the mechanics of passing ownership or control to the next generation without depleting the net worth of the present generation." The data also indicated needs for formal and continuing education in business topics such as marketing, finance, decision-making, management skills, and organizational behavior. This was supported by the emphasis on education in mission statements. Respondents perceived that education is important for the next generation in earning their way in the business. For example, one interview respondent said: "Make sure the second generation gets a good education. It is imperative that they have a better education than their employees."

It is important to note that four respondents perceived that there were no family business leadership and leadership development needs that might be addressed through education and research. A minority, primarily survey respondents, specifically mentioned that education and research were not needed. This may be more understandable when considering the importance family business leaders place on learning by example and the value of hard work. This may be framed from a perspective that next generation leaders learn by doing thus education and research may not be perceived as needed.

4.4. Summary

Family business leaders placed high importance on selection and development of the next generation leader. The ability and desire of the next generation to lead the business was of concern to family business leaders as was the senior generation's ability to let go during transition. Non-family employees were perceived as valuable contributors to business success. Gaining the respect of employees was identified as an important aspect of next generation leadership development. Leadership development across generations in family businesses was perceived as also occurring by the example and values of

previous generations. Identified leadership development activities included entering the business at a young age, learning to work hard, acquiring formal education, independent work experience, and engaging in continuing education. Family business leadership needs for education and research included working with family and business dynamics, models for effective leadership transitions, forums for peer interaction, tools for dealing with ownership and estate transitions, and education in functional business areas. Stories told and retold in family businesses reflected sacrifice, financial and legal crises, and disasters. The leadership lessons of these stories centered on hard work, persistence, vision and values, and recognition that the family business was perceived as about more than money.

This chapter has summarized response rates and demographics of respondents. Findings for each research question have been presented in themes arising out of the data. Chapter 5 presents conclusions and recommendations.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This study has focused on leadership and leadership development issues in family businesses. The previous chapters have provided an overview, reviewed relevant literature on leadership, leadership development, and family business, described the qualitative survey and interview methodology, and presented research study findings. This chapter summarises findings for each research question, presents conclusions arising out of the findings, and makes recommendations for future research and policy.

5.2. Summary of Findings

The findings for each research question are summarized as follows:

1. What are the leadership and leadership development issues of family businesses?

The research findings were: (a) Selection and development of the next leader is a primary issue, (b) non-family employees are important in success of the business and sustaining values, (c) next generation family members have personal choice but no inherent right to be employed by the family business, (d) the next generation needs to work from an early age to learn the business and gain respect of the employees, and (e) education and people skills are important for next generation family leaders.

Fears and concerns related to leadership and leadership development in the context of succession were: (a) Will the next generation have both the ability and desire to lead the family business? (b) Will future generations preserve the values and culture of the organization? (c) Will the business be competitive in changing external environments? (d) Will the next generation earn and receive the respect of employees? and (e) Will the senior generation be able to let go during transition?

2. How is leadership learned across generations in family businesses? The research findings were: (a) Leadership is learned by the active example of the senior generation, (b) leadership is learned by hard work from an early age learning the business from the ground up, (c) to some extent leadership is an innate quality - although abilities may be enhanced not every generation individual is suited for leadership of the family business, (d) leadership is granted through gaining respect of employees and family, (e) leadership is learned by work experience either outside the business and/or at an extended distance from the senior generation, and (f) academic degrees and continuing education enhance leadership learning.
3. What stories of overcoming challenges were reported as told and retold in family businesses? What were the leadership lessons here? Stories arising out of the data centered on sacrifice, financial and legal crisis, and disasters. The research findings indicated the leadership lessons from these stories were: Persistence. Hard work and sacrifice are required to build and sustain the family business, (b) leadership includes focus on vision and values, and (c) the family business is about more than money.
4. What are the family business leadership needs that might be addressed effectively through education and research? The research findings indicated family business leader education and research needs in the areas of: (a) how to lead amidst the emotional complexities of family and business dynamics, (b) formal and informal education in functional business areas, (c) models and education on effective leadership transitions that sustain values and vision, (d) forums for family business peer interaction, and (e) practical insights and tools for dealing with ownership transfer and estate issues.

5.2.1. Most Frequently Reported Themes

The themes reported most often (n=>30) were:

1. Selection and development of the next leader is the primary leadership and leadership development issue in family businesses.
2. Leadership is learned by the active example of the senior generation.

3. As illustrated through stories, persistence, hard work, and sacrifice are required to build and sustain the family business.

5.3. Conclusions

The findings indicated that family business leaders perceive next generation leadership development to be an issue of importance. There are two major conclusions as a result of the findings of this study.

The first conclusion is that leadership development in family businesses occurs through a synthesis of example from previous generations, work experience, and the process of earning employee respect. This conclusion is supported by the findings:

(a) Leadership is learned by the example of the senior generation, (b) early work experience is valued as a means of learning the business, (c) leadership is learned by independent work experience either internal or external to the family business, and (d) gaining the respect of employees is an issue in family business leadership development. Work experience and gaining respect of employees are linked leadership development findings. These two areas interact with the example of the previous generation to create a synthesis process that engages the next generation in leadership development.

The literature supports various individual aspects of leadership development. However, the literature does not specifically support leadership development in family businesses as a synthesis of example, work experience, and earning employee respect. Individual aspects of leadership development by example were described by Foster (1995) and Hunt and Laing (1997). Work experience as an aspect of leadership development was discussed by McCauley et al. (1998) and Craig (1999). Independent work experience was supported in the literature by Barach et al. (1988) and Zaslow (1986). Handler (1991) and Chrisman et al. (1998) described earning respect as an aspect of leadership development.

The second conclusion is that family businesses use stories as an illustrative mechanism for passing down leadership values. The findings indicated that family business leaders tell stories of their own experiences and those of the generations before them. The stories

describe sacrifices given, crisis endured, and disasters or hardships overcome. The findings indicated that leadership lessons, couched in values, arise out of stories. The findings from these stories emphasized values of persistence, hard work, and sacrifice. Stories told by family business leaders also illustrate that leadership includes focus on vision and values.

Fairhurst and Sarr(1996) wrote that stories create visions of possibilities. Stories become a communication approach in the language of leadership. The story helps tune out distractions while adding clarity and depth to the story message. The literature also supported that stories are a way people learn and remember (Kouzes & Posner, (1999). Kouzes and Posner (1999) described the power of stories to shape values and sustain vision. Hansen and Kahnweiler (1993) wrote that stories create lessons for future behavioral expectations. Gardner (1995) illustrated how the telling of stories and the stories of leaders' lives may become influencers of direct and indirect leadership. The second conclusion that family businesses use stories as an illustrative mechanism for passing down leadership values was supported in a general sense by the literature. However, the literature on stories and leadership values was not specific to family businesses.

In summary, the two conclusions of this research are:

1. Leadership development in family businesses occurs through a synthesis of example from previous generations, work experience, and the process of earning employee respect.
2. Family businesses use stories as an illustrative mechanism fro passing down leadership values.

5.4. Recommendations

As a result of the research findings and conclusions, there are recommendations for future research study and policy. The recommendations arising out of this study are:

1. That research be conducted exploring the relationship between the example of previous generations and leadership development in family businesses.

2. That research be conducted exploring how family member work experience internal and external to the family business is related to gaining the respect of employees.
3. That research be conducted further exploring how stories play a role in passing on values to succeeding generations in family businesses.

A recommendation for policy arising out of this study is:

4. That possible forums be explored and established to facilitate family business leader peer interactions.

5.5. Summary

The opportunity to explore leadership and leadership development issues in family businesses has been thought provoking, and enlightening. Family business leaders wrote of hard times and work. They spoke of joys, challenges, and heartfelt experiences of working with family. As one leader said: "It takes a great deal of courage every morning to get up and go to a building with your name on it." They exhibited practical business savvy accented by sentiment about family legacy. As family business leaders told stories they grew emotional and sometimes cried over the stress of challenges with the economy, banks, lawyers, children, parents, competitors, and disasters. They expressed values of persistence and loyalty. Generations of family photos adorn the office walls of interviewees and quotes from previous leaders are displayed in lobbies.

Leaders spoke of family businesses that will end with them due to estate tax issues, lack of interest or ability in the next generation, or even the non-existence of a next generation. Family business leaders expressed gratitude, despite the complexity, for opportunities to work side-by-side with the previous generation: "I enjoyed working with my father and his brothers. I didn't care if they had the titles and I had all the responsibility and was running more of the business all the time. I enjoyed every minute of working with them." Family business leaders worried: "Are we doing the right things and are we leading in the right way?" One leader described the responsibility of being an example to next generation leaders: "They watch you and they watch to see if you walk

your talk?" Family business leaders expressed love for and confidence in the next generation as leaders. They invest considerable personal effort in nurturing the leadership development of those who will be the next leaders in a generation-spanning legacy of vision, values, persistence, and achievement. This researcher has come to appreciate that the family business is about more than running and making a profit. The family business is also about shared experiences and developing leaders across generations.

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APPENDIX A

Data Collection Samples

2003 SURVEY OF SOUTH AFRICAN
FAMILY BUSINESSES

You are invited to participate in a survey of leadership and leadership development issues in family businesses. This research study is being conducted for a MBA dissertation at Natal University.

Please respond by the 6 May 2003, to the descriptive questions and the five open-ended questions about leadership issues in family businesses. All responses are confidential. For your convenience a prepaid, self-addressed envelope is enclosed. If you have received this survey by fax then please fax completed surveys to (011) 838-4458. Your prompt response is greatly appreciated. If you have any questions, please contact Zahier Mayet 082-784-6249 or email aliff@iafrica.com.

1. Do you consider your business to be family business? _____ Yes.
_____ No.

If no, please stop here and return survey. Thank you for participating.

2. Is 50% or more of the business owned or controlled by family members?
_____ Yes. _____ No.

If no, please stop here and return survey. Thank you for participating.

3. In what year was your business: Established? _____ or, acquired _____

4. What is the primary nature of your business?

- | | |
|--|--|
| <input type="checkbox"/> Agriculture | <input type="checkbox"/> Insurance/Finance |
| <input type="checkbox"/> Computing | <input type="checkbox"/> Professional Services |
| <input type="checkbox"/> Manufacturing | <input type="checkbox"/> Communications |
| <input type="checkbox"/> Retail | <input type="checkbox"/> Health Care |
| <input type="checkbox"/> Wholesale | <input type="checkbox"/> Other, _____ |

5. Approximately how many employees do you have?

_____ Full Time _____ Part-Time.

6. How many generations or steps in family descent have there been since the business was founded? _____ (From the founders to your own generation, and on to younger generations if already in business).
7. How many family generations are actively involved in the business at present?

8. What family generation presently leads the business? _____
9. What is your gender? _____ Male _____ Female.
10. What is your position within the business?
- Chairman/Chairwoman
 - Chief Executive Officer
 - Chief Operating Officer
 - Chief Financial Officer
 - President
 - Vice President
 - Partner
 - Director
- Other, _____

The remainder of this survey is concerned with leadership in family business and leadership development learning across generations. Your thoughtful comments and insights would be much appreciated. If you wish you may attach additional sheets of paper.

11. What do you perceive the leadership and leadership development issues of family businesses to be?

12. When you think about succession in your family business, what is your leadership and leadership development fears and concerns?

13. How do you perceive leadership to be learned across generations in your business?

14. What are family business leadership needs that might be effectively addressed through education and research?

15. What stories of overcoming challenges are told and retold in your business? What do you see as the leadership lessons here?

Would you like to receive a summary of this survey? _____ Yes _____ No.

May the research results list you and/or your firm as participants in this study? (Your responses will not be personally identifiable.) _____ Yes _____ No.

If you answered “yes” to either or both of the above questions we would like to get the following information from you:

Name:

Company:

Address:

Please return this survey to Zahier Mayet, P.O.Box 42344, Fordsburg, 2033

Thank you for your participation!

Follow-up Letter

Date

<<Firstname>> <<lastname>>

<<Company>>

<<Address>>

<<City>> <<Province>> << Code>>

Dear Mr./Mrs. <<lastname>>

You are invited to participate in the enclosed qualitative survey on leadership and leadership development issues in family businesses. This letter is a follow-up to the original survey request you hopefully received earlier. Thank you if you have already responded.

The purpose of this research is to explore how leadership is learned across generations in family businesses. This research is being conducted for my MBA dissertation at Natal University.

May I impose upon you to take a few moments to complete this survey? The results of this study will be used to develop a profile of leadership in family businesses and how leaders influence next generation leaders. If you wish, you may receive a summary of the results by indicating so on the last page of the survey.

Your response is particularly important because the survey has been mailed to only 100 people. The insights you can provide are particularly desired. A prepaid envelope is enclosed for your convenience.

Your participation would be greatly appreciated. Please call me at 082-784-6249 or email me at aliff@iafrica.com if you have any queries. Thank you.

Yours sincerely.

Zahier Mayet

Interview Request

Date

Name, Title

Company,

City, Province, Code

Dear

I am a MBA student at Natal University working on a dissertation about leadership and leadership development issues in family businesses.

The purpose of this research study is to explore leadership issues and how leadership is learned across generations in family businesses. A further purpose is to identify family business leadership needs that might be addressed effectively through education and further research.

Might you be available for a personal interview during April or early May? The focus of the interview would be your insights and perspectives on leadership issues in family business and developing next generation leaders. Enclosed is an outline of the research questions. The interview will take 45 to 60 minutes. With your permission, I would prefer to audio tape our conversation so as to assist in accuracy of data analysis in dissertation. If you prefer, all responses can remain confidential with your name and organization not being identified in the study.

In addition to the in-person interviews of several leaders, there is an in-process qualitative survey of approximately 100 family business leaders. I would be happy to share the research findings with you.

Although you undoubtedly have a demanding schedule, I would appreciate the opportunity to meet with you at your convenience to discuss issues in family business. I look forward to hearing from you. Please contact me at 082-784-6249 or email me at aliff@iafrica.com.

Yours sincerely.

Zahier Mayet

Leadership and Leadership Development in Family Business

Interview Overview

1. What do you perceive the leadership and leadership development issues of family businesses to be?
2. When you think about succession in your family business, what are your leadership and leadership development fears and concerns?
3. How do you perceive leadership to be learned across generations in your family business?
4. What stories of overcoming challenges are told and retold in your family business? What do you see as the leadership lessons here?
5. What are family business leadership needs that might be addressed effectively through education and research?
6. Do you have any thoughts regarding leadership and/or leadership development in family business that you would like to add?

APPENDIX B

Partial Listing of Respondents' Family Businesses

Partial Listing of Respondents' Family Businesses

Representatives from the following family businesses participated in this research study and also agreed to be listed as participators. Other respondents chose not to be identified.

Anchor International
Allied Investments
Comet Undies CC.
Discount Cash & Carry
Evergreen Trading
Fortune Underwear Manufacturers
Fabric House
Fred's Car Sales
HQ Clothing
Helen M. Infantswear
Hibiscus Construction
Imy's Drapery Imports and Exports
Khans Meat Centre
Koogans Plastics
Lenasia Wholesale Packers
Loonatex
Mkize's Building
Parkmain Investments
Surtee Napier
Suzy Products
Twistville Investments
Wits Underwear Distributors
Zee's Manufacturing