

Leadership in Family Firms

In today's competitive and dynamic business environment, managerial leadership is of foremost importance. Managers in charge of groups and organizations need to be visionary and long-term oriented. The new theories of leadership in organizations make a distinction between two types of leadership: transactional leadership vs. transformational leadership. In transactional leadership, followers are motivated by appealing to their self-interest. In contrast, in transformational leadership, followers are induced to transcend their self-interest for the sake of the organization. The leaders transform the followers by activating their higher order needs and making them more aware of the importance and values of task outcomes. Transformational leadership is characterized by four factors: charisma, individual consideration, intellectual stimulation and inspirational motivation. Numerous studies have shown that transformation leaders have a positive effect on their followers and organizations. However, there has been very little study on transformational leadership in the context of family firms.

Given that family firms are characterized by certain values and beliefs, a shared vision, long term orientation and relationships based on loyalty and trust, it seems plausible that transformational leadership has to play a critical role in family firms. An exploratory study by Vellajo (2009) found empirical evidence for the fact that leadership in family firms is characterized as being more transformational when compared with non-family firms. The author also reported that leadership in family firms continues to be transformational as the firm evolves and as the family generations change. The author proposed that the level of importance of the four components of the transformational leadership could vary across the family generations. In the founding generation, when leadership is primarily characterized by vision and making others believe in achieving that vision, the role of charisma and individualized consideration factors would be most prominent. On the other hand, in sibling partnership and cousin consortium, when the leadership needs to be team-oriented, intellectual stimulation and inspirational motivation factors would be useful to inspire people and pull them together.

Source: Vallejo M.C (2009) Analytical model of leadership in family firms under transformational theoretical approach: An exploratory study, *Family Business Review*, Vol 22 (2)