

The Prequel to Family Firm Culture and Stewardship: The Leadership Perspective of the Founder

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Family business literature argues that a family firm gains strategic flexibility due to its deep-rooted family and stewardship culture. The author traces the root of family and stewardship culture in the family firm, to the role played by the founder to establish and propagate such culture. The author argues that if a founder is a transformational leader, he/she is able to formulate a common purpose, a shared identity and sense of destiny among family members. This leads to a strong and positive family culture with commitment, stewardship and strategic flexibility.

The article further argues that the family firm's culture is integrally tied to the founder, as he/she is the person who takes most important decisions of setting the firm's goals, mission, structure and strategies. The founder also makes the firm's operational decisions. Thus, the founder leaves an imprint on the firm and overtime, family members associate the family firm's success to the founder's vision.

The author suggests that there are four interdependent and mutually reinforcing aspects of transformational leadership that influence the firm's culture of family commitment and stewardship. These are –

(a) ***Idealized influence*** - Idealized influence is how the leader's persona effects the followers and how they identify with the leader. Sharing their leader's identity allows employees to partake credit for the success of the business. The founder often bonds the family members or even employees to the business by inculcating a shared sense of identification and destiny with the business.

(b) ***Inspirational motivation*** - Inspirational motivation is the leader's quality of inspiring others by developing an appealing vision. The founder of the family business can develop a grand purpose that is commonly shared among all family members and shapes family norms and values. The founder's vision and principles become the pivot when members of the succeeding generations make strategic business decisions.

(c) ***Intellectual stimulation*** - Intellectual stimulation is the ability of the founder to challenge assumptions and takes risks. Founders who are transformational leaders establish a culture that supports strategic flexibility based on this tendency of pushing the limits. If the founder is more intellectually stimulating, then a culture of innovation and strategic flexibility is likely to evolve in the family business.

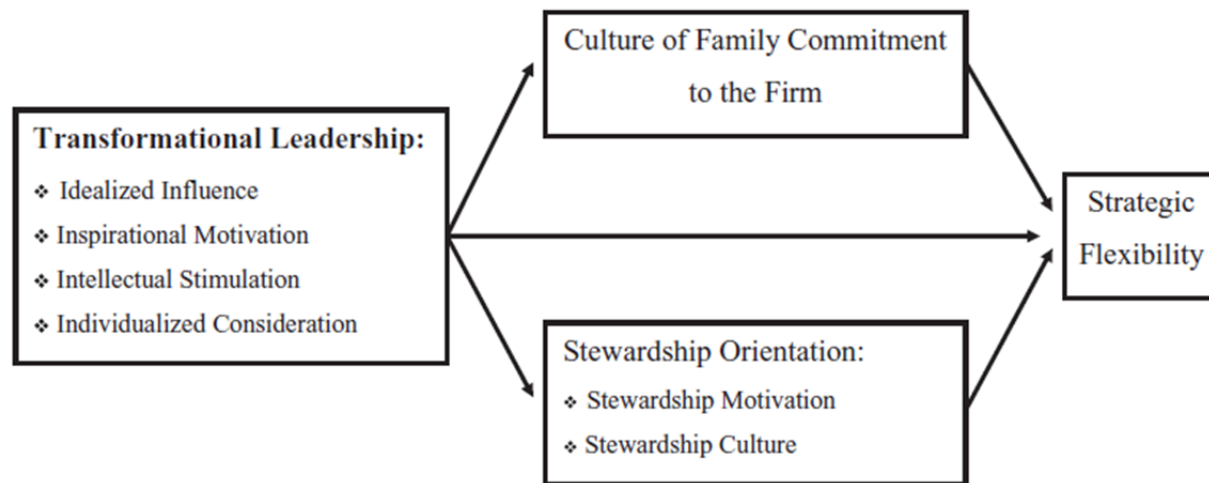


Figure 1 Transformational Leadership's Affect on Family Firm Culture

(d) **Individualized consideration** - Individualized consideration is the leader's ability to cater to the needs of the followers, listening to their concerns and mentoring them. Participative leaders may allow next generation to take an active role in decision-making. In tune with the stewardship theory, individualized consideration supports a cooperative work environment. Leader's ability to listen to others and being open to adaptation contributes to stewardship and strategic flexibility.

These dimensions influence the culture of family commitment to the business, the stewardship orientation and the strategic flexibility of the business. Transformational leaders are able to persuade their followers to subjugate personal gains in the larger interest of the business. They are able to instill a sense of pride, trust, respect and loyalty in the followers, which promote citizenship behaviours and contribute to the stewardship culture in the family business. Setting the bar ever higher, such leaders/founders lead by example and become the role model for their followers. This ensures that the family business remains open to innovation, explores new opportunities and does not remain hostage to managerial inertia.

Source: *Entrepreneurship Theory and Practice* (2008), Vol. 32(6), Pgs. 1055-1061.