A Leadership Perspective of Reciprocal Stewardship in Family Firms

– *Allison W. Pearson and Laura E. Marler*

Stewardship theory propounds that organizational leadership's motivation is to serve the interest of the organization and not one's self-interest. Family business researchers have adopted stewardship theory to explain the difference of family firm leadership from that of non-family firms. Researchers also suggest that stewardship contributes to the family firm's competitive advantage as it reduces agency costs and makes resource utilization more efficient. However, the authors argue that such competitive advantage can only be partially realized if the stewardship only remains limited to leadership.

The authors suggest that stewardship needs to be inculcated as the de-facto culture of the organization. Using the leadership member exchange (LMX) theory, the authors explore how stewardship can be propagated throughout the family firm. The authors offer propositions about the conditions that provide unique opportunities to a family firm for developing a culture of reciprocal relationship where employees also act as stewards.

Reciprocal Stewardship: The authors suggest that when leaders behave as good stewards and take care of employee welfare that includes - employment continuity, assignment to challenging and desirable jobs, opportunities to learn and grow – then, the employees develop trust in leadership. Following LMX norms, they become more committed to the organization and develop a desire to reciprocate with acts of goodness towards the organization. This may happen in both family and non-family firms.

Reciprocal Stewardship at Family Firms: However, family firms are uniquely positioned to develop reciprocal stewardship. Family business leaders are more likely to behave as stewards due to family's involvement in business. The tendencies of caring, concern and altruism in the family are likely to be incorporated in business as well. This in turn will lead to higher reciprocal stewardship in family firms. The family social capital is transferable to the business and it also helps in quickly developing high quality LMX relationships that result in reciprocal stewardship.

When the family business leader is able to develop high-quality LMX relationships with both family and non-family employees, a comprehensive culture of reciprocal stewardship is developed in the firm.

Degradation of Reciprocal Stewardship: The authors suggest that as a family firm's leadership undergoes transgenerational change and more members of later generations take up collective

leadership in business, stewardship intentions are diluted due to a fall in the quality of LMX relationships. This happens because of many reasons, such as - high stress sibling relationships, increased formalization and complexity and dispersion of ownership and management across multiple branches of the family.

Conclusion: Family business leaders are likely to have different types of exchanges with employees depending on whether or not they belong to the family. The quality of these exchanges will shape the perceptions of family and non-family employees and their degree of commitment to the well-being of the organization. The quality of this relationship and the nature of these exchanges will vary over time depending on the firm's life cycle. Multi-generational firms are likely to suffer because of poor quality LMX relationships as ownership disperses.

Managerial Implications: Family firms must strive to foster a culture of reciprocal stewardship, where stewardship does not remains limited to family business leader or family employees but also includes non-family employees. The culture of stewardship must be nurtured across generations and strengthened by setting examples for the younger generation. Desirable stewardship behaviours may be institutionalized by incorporating them in policy framework of the family business.

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