1. Developing next generation leaders

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INTRODUCTION

Transgenerational entrepreneurship is defined as the ‘processes through which a family uses and develops entrepreneurial mindsets and family influenced capabilities to create new streams of entrepreneurial, financial, and social value across generations’ (Habbershon, Nordqvist, and Zellweger, 2010: 1). Developing next generation leaders lies at the heart of transgenerational entrepreneurship as it squarely focuses attention on those individuals – family or non-family members – who alone, or in collaboration, are responsible for the success and longevity of a family enterprise. This book aims to understand the pathways used by enterprising families around the world to develop next generation leaders. We set out to explore how leadership becomes an enduring source of advantage that is less dependent upon who is in a formal role and relies more upon the process by which the family’s core values shape and build the next generation of leaders. When leadership development is considered as an underlying process, generational transitions become less rigid and episodic, thereby potentially less disruptive. Continuous shifting of roles and ongoing development of the current and next generations becomes an enduring source of advantage.

In practical terms, our interest was to understand how the next generation members are introduced to the business and what it stands for. How do they become aware of the key decisions and defining moments of the past and the influences of those decisions on current practices? How do they become involved in entrepreneurial activities and decision-making of their family business? What opportunities – inside and outside the business – prove useful in their development and growth as responsible owners? These are but a few of the types of research questions explored in this book.

Scholars affiliated with the Successful Transgenerational Entrepreneurship Practices (STEP) project were invited to develop chapters to enhance
our understanding of the development of the next generation of family and non-family entrepreneurial leaders, and their role in creating sustained value for family enterprises. Following the format adopted in the previous volume in this series: Exploring Transgenerational Entrepreneurship: The Role of Resources and Capabilities (Sharma et al., 2014) each chapter starts with a mini-case – a dilemma related to the development of next generation leaders. The chapter, then, closely examines the available literature and one or more case studies to draw pragmatic conclusions of how the dilemma might be resolved. Theoretical and practical implications are discussed.

Longitudinal case studies of 27 family firms in nine different countries spread across the three continents of Asia, Europe and South America, provide a rich, global selection of leadership development insights. Operations of the businesses studied range from a focused commitment to a single industry and a local market, to geographic diversification spanning multiple industries and continents. While the youngest firms were transitioning from first to second generation, the oldest 192-years-old Japanese sake business was focused on the sixteenth and seventeenth generations. This diversity of cases and chapters summarized in Table 1.1 provides a rich foundation for insight into the pathways currently in use to develop the next generation leaders.

The contributors examine the role of values, professionalization, leadership style and contingent factors centering their discussions on what helps next generations develop their leadership styles and their entrepreneurial attitudes. The findings suggest the importance of focusing on leadership as a shared capability, the transmission of specific values to maintain an entrepreneurial culture, the fit between professionalization and values to increase transgenerational potential, the need to address the structure of the business to provide with entrepreneurial opportunities, and the focus on parenting to develop next generations.

In the next section, we examine the three major themes that emerge from the nine chapters: (1) From a Leader to a Leadership Capability, (2) Familial Values and Professionalization, and (3) Structure and Next Generation Leader Preparation. While some chapters fit squarely in one theme, others spill-over into multiple themes. Nevertheless, for the sake of parsimony, we classified each chapter under one broad theme. After discussing the chapters briefly and offering some insights for each section, this introductory chapter concludes with a brief discussion of possible future research with a potential of practical implications.
Table 1.1 An overview of the chapters

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LEADERSHIP DEVELOPMENT IN FAMILY BUSINESS

For each of the three major emergent themes, we share an overview, a brief chapter summary, and close with integrative insights.

From a Leader to a Leadership Capability

The first three chapters suggest pathways to help family enterprises evolve from a focus on the individual leader to readying the individual/s to be part of a leadership capability. While a focus on ‘a leader’ rather than ‘leadership’ may serve the family enterprise well in its foundational and early stages, as the business and/or the controlling family becomes more complex such singular focus on one individual leaves it vulnerable to one viewpoint, limits expansion which is requisite to sustainability and growth, thereby increasing the risk of disruptions.

Chapter Summaries

‘The process of becoming: entrepreneurial leadership transition to the second generation’ by Ramírez-Pasillas, Bender and Nilsson
Based upon the point of view of eight second generation family business CEOs in Sweden, the analysis focuses on their recollections of how they became successors. Three elements were identified. First, successors were socialized into their families’ approaches, through their families’ expectations regarding their future roles, and, beginning at an early age, their own experiences with their family businesses’ work-lifestyle. Second, successors were groomed into developing entrepreneurial self-concepts through gradual involvement in practicing an entrepreneurial orientation, bringing in new ideas for the business and through external training. Third, successors experienced the transition into entrepreneurial leaders’ roles by developing mentor-type relationships with the older generations and learning to make decisions, delegate tasks, and admit mistakes. These strong relationships between generations appear to give rise to a pool of entrepreneurial ideas that can be informed by the transfer of knowledge from incumbents to successors.

‘The next generation: pathways for preparing and involving new owners in Colombian family businesses’ by González Couture and Díaz Matajira
Using evidence from five Colombian entrepreneurial family businesses, the authors examine the pathways adopted to prepare next generation members for responsible ownership. In contrast to the classic studies of readiness for managerial leadership, this chapter focuses on how third
generation family members are prepared to assume leadership roles in
governance bodies, like companies’ boards and family councils. This is
especially relevant for transitions that occur beyond the second genera-
tion, where the number of family members involved grows and they do
not expect to be entitled to the ‘right to work’ in the family business. The
analysis suggests that it is important to pay attention to how the practices
of entrepreneurial learning were implemented following two different
pathways. One is related to achieving intra-family management leadership;
the other is focused on creating communities of practice that fostered
entrepreneurial identities conducive to responsible ownership. When the
expectations that the next generation will play an active management role
are reduced, a responsible ownership perspective can engender long lasting
interest in wealth and legacy. Thus, preparing the next generation implies
not only a set of clear rules, such as a family protocol, but also a leadership
meta-system, linking subsystems of the family unit, the business entity and
the individual family members, to form a dominant coalition and support
a shared vision.

‘Challenges of collective leadership’ by Ramachandran and Bhatnagar
Collective leadership, sharing the highest leadership position, is the focus
in the case of KPRT, an Indian diversified group, whose founder was faced
with the dilemma of anointing a single successor or paving the road for
a successful collective leadership mechanism. KPRT’s leader was able to
drive effective collective leadership by establishing a formal structure for
joint decision-making that involved three potential successors. This collec-
tive process was facilitated by four factors. First, a high degree of cohesion
among family members that was further reinforced by support mecha-
nisms for joint decision-making. Second, an active founder and co-founder
who promoted collective functioning from early in the business’ history.
Third, a capacity to anticipate areas of potential conflict among family
members and evolve effective forums to prevent them. Fourth, a col-
lectivist culture instated in the family DNA, and reinforced thanks to
the strong interpersonal bonds among members of the leadership team.
Comparisons to other examples of collective leadership evidence that the
practice is not limited to the KRPT case. The successful implementation
of collective leadership was further complemented by assigning respon-
sibilities based on family members’ proven expertise and competences in
specific business areas.

Integrative insights
Chapters in this section help us evolve from a leadership perspective
that emphasizes development of an individual to an intergenerational
transition aimed to develop a shared leadership capability. The recognition that the leadership demands of a family business can evolve in a variety of ways as they pursue entrepreneurial opportunities – committing to a single industry, remaining in an industry and pursuing geographic expansion, or going to the extreme of diversification into a portfolio of seemingly unrelated businesses – draws our attention to the importance of understanding leadership development as both individual development of new skills and abilities and taking a more expansive notion of leadership development as a dynamic capability that informs and is informed by the scope of the family business.

In the Swedish chapter, multiple cases of the ‘father to son’ transition from the perspective of the son evidence the role that successor’s experience in their own entrepreneurial endeavors plays in readying them for the leadership role. Working alongside the father shows leadership becoming a shared capability. In the case of the Colombian businesses, multiple family members become involved in leadership, with leadership expanding to consider both managerial and owner-leader roles and practices. Selection of those best suited to the managerial leadership role requires explicit consideration to the future of the business from an ownership perspective with attention given to leadership capabilities required for managerial roles. Those who are not working within the family business need to be prepared to lead from the owner’s vantage. In the Indian chapter, shared and collaborative leadership with multiple members of the second generation working together evolves into a potential for collective leadership. Decision-making processes give voice to all members of the top management team and consensus is the criteria for the pursuit of new directions.

The integrative insight that comes out of these first three chapters is that as family businesses become more complex, it becomes more important to have the prospect of new opportunities be accompanied by a more systematic and consistent evaluation of the choices facing the family business.

**Familial Values and Professionalization**

Chapters in this section highlight the different pathways that enterprising families adopt in an attempt to balance the maintenance of core family values and the professionalization needs of their enterprise as they prepare the next generation leaders.
Chapter Summaries

‘Transgenerational professionalization of family firms: the role of next generation leaders’ by Brumana, Cassia, De Massis, Discua Cruz and Minola

Based on the case of Persico, a second generation, diversified Italian family business, analysis shows how transgenerational professionalization enhanced the entrepreneurial attitudes and behaviors of next generation leaders of family firms. Two factors appear to positively impact transgenerational professionalization: transgenerational learning and an organizational structure that accommodates the family structure. Notably, strong overlap of ownership and management potentially constrains the transfer of leadership. Moreover, the effect of these factors could be enhanced by the presence of internal firm growth and external industry challenges, when the first generation has a high entrepreneurial orientation or in case of high levels of emotional involvement.

‘The re-establishment of family values as a driver of transgenerational potential’ by Matser, Bos, Heetebrij-van Dalfsen and Coen Rigtering

In a study of a second generation Dutch family business, the limits of professionalism and bureaucracy on transgenerational potential are explored. Analysis of the role of family values in helping the family firm remain competitive and realize transgenerational potential is undertaken. The case examines the founder’s key challenges to pass the family business to the next generation, while restoring family values within the context of a more formal business structure. Unwanted side effects resulting from professionalization efforts within the business are identified. They appear to be related to a detachment between family values and professional non-family managers’ values and were considered a threat to transgenerational potential. The re-establishment of family values helped the company re-invent its managerial practices and had a positive impact on the family’s perceptions of their business’ social and entrepreneurial performance.

‘What should be passed on to the successor? The case of a long-standing Japanese family-owned small sake brewery’ by Yamaguchi, Kozono and Higashide

The case of Tamura Sake Brewery, a small but long-standing family business in Japan, poses the question of what values should the incumbent pass over to his successor. Drawing upon the 16th generation incumbent’s recollections of key incidents addressed by the 15th generation, evidence is provided about the influence of role models and respect for rules and traditions. Two key insights are evident. The case shows that the
company culture was imbued with human-oriented values such as treating employees with respect and building trust in the community, placing strong emphasis on personal characteristics of the successor, rather than the tactical knowledge or competencies in doing business. The case also shows that the family wanted to preserve long-term orientation in decision-making. That means to make a decision based on anticipation of its consequences in the future generations. The respect of this tradition, along with the presence of a non-family member, who assisted in transmitting the values by giving meaningful feedback, has ensured smooth transitions and preserved the family business core.

**Integrative insights**

Whether the entrepreneurial prospects brought by the next generation precede professionalization efforts or professionalization has already been established, the use of professionalization implies a systematic approach that is intended to enhance coordination and link the allocation of resources to the family business’ goals and objectives, both financial and socio-emotional (Gomez-Mejia et al., 2007; Miller and Le Breton-Miller, 2014). The codification of decision-making should increasingly embed leadership as part of the family business, freeing up the time of the individuals who are in leadership roles to engage in more exploratory undertakings. The chapters that cover the Italian and Dutch business offer strong corroboration of the ideas presented by Stewart and Hitt (2012) that professionalization needs to be seen within the context of the family business’ values and culture and aligned accordingly, on a recurrent basis. The significance of values and culture are also illustrated in the Japanese chapter. In highlighting the lessons learned from a long-standing business (16th to 17th generation), values and the trusted counsel of a long-lived non-family member appears to be a distinguishing factor in creating a transgenerational legacy.

**Structure and Next Generation Leader Preparation**

Structure, at work and at home, has a reinforcing capacity to develop the value based leadership in next generation. In the chapters from Malaysia and Brazil, this reinforcing capacity of the triumvirate of values, trust and social capital, is brought forth. The Spanish chapter suggests that the availability of family talent, namely the next generation’s interest in the family business and its readiness begins with the parenting structure and style.
Chapter Summaries

‘Family’s decision in venture creation for next generation leaders: the role of trust across two generations in the case of diversification’ by Mohd Nor, Lechner, Yusof, Bardai and Xavier

The case of the Mofaz Group, in Malaysia, uncovers the role of trust in the decision-making process of a successful and diversified entrepreneurial family enterprise and how the motivation for the second generation family members and leaders to create and lead or manage new ventures became a critical component of the process. The ability of the founder to foster trust in the family and among the employees leads to faster decision-making in venture creation. The primary motive for venture creation was finding a place for the family that was aligned with their interests, and not focused on growth per se. The top priorities for the founder in creating ventures were the hope that the next generation will take over the business, and the dream of having a continuously harmonious family institution.

‘Family social capital, transgenerational learning and transgenerational entrepreneurship’ by Roscoe, Vieira and Grzybovski

Analysis of the case of Braile Biomedica, a Brazilian diversified health products and services business, offers insight to a founder’s intention to effect a generation-skipping leadership transition. Unexpected health problems of the founder accelerated the transition to the second generation, whose main role was not to assume the family business leadership, but to preserve its legacy for the grandchildren. The grandchildren were chosen by the founder to perpetuate ‘traces of his passage’. The grandchildren were imbued with the family legacy at a young age through content delivery strategies adopted by their grandfather, and their career choices and entrepreneurial mindset were influenced by him. While the third generation and future business leaders were set free to pursue their own learning process both through strong family ties and formal education, the second generation was focused on smoothing the transition for the third generation. Business professionalization, with a special regard to financial outcomes and innovation, was a method to ensure the company’s profitable future in a competitive business environment, while the family was set on developing family social capital and preserving their organizational identity.

‘Parenting and next gen development’ by Gimeno and Parada

A multi-case analysis of nine Spanish family businesses focuses on the role of different models of parenting styles in developing flexibility and cohesion in next generation family members. A variety of situations – the
firms differ in size, industry, and generation in charge – provides the basis for exploration of how younger generations are raised and developed and how parenting affects both the company and the individual members of the family. It is argued that an authoritative parenting style develops a better capacity for the family members to arrive at functional agreements to address family business demands that require both relational and instrumental competence. In contrast, a permissive parenting style allowed the next generation to develop social skills and a greater degree of freedom, but did not necessarily contribute to the development of the instrumental competence and maturity so relevant in family business. This is especially important when the elder generation loses its capacity for maintaining the direction of the company. These results highlight the heterogeneity of family businesses and suggest that the way business families exercise their parenting role may be one of the fundamental aspects for understanding families’ behaviors toward their businesses.

**Integrative insights**

The diversified corporation is a mechanism for creating room for the entrepreneurial interests of the next generation. The structure of roles and the use of meetings and protocols for reviewing progress create a more formal discipline for addressing the increased complexity that accompanies growth in the family and growth in the business; it helps focus attention on the family business’ business. The sequencing of the next generation’s progression through responsibility for increasingly more difficult and complex situations provides a proving ground for readiness and establishes the family member as a credible leader in the eyes of non-managerial family owners and non-family managers and employees. All of the aforementioned are structural solutions for leveraging talent.

As suggested by the chapter from Spain, a mix of the parenting styles of warmth and control, evidenced in developing children through conversations, is best suited for readying the next generation to realize cohesion and flexibility. From those formative experiences of having an opportunity to tell coupled with the expectation of listening and conducting oneself within the family’s moral strictures, the reinforcement of those linked behavior-positive effect moments inside and outside the family likely provide the readiness to learn and eventually lead. Whether that next generational leadership will be realized within the family’s business or within their own entrepreneurial venture is heavily dependent upon both individuals seeing themselves as capable in those roles and others seeing them as capable.

Familiarity with the family business, inculcation of family and business values, and experience with entrepreneurial decision-making underpin the
leadership development process. Consideration of the interface of these leadership building blocks with structures that apply next generation talent in a variety of contexts can provide insight to how individual role development, professionalization, and scope of the family business inform the contingent nature of leadership development.

PRACTICAL RESEARCH IMPLICATIONS

Three perspectives on leadership are especially useful in informing our understanding of what a family business leader is expected to do, and consequently, what contributes to developing readiness for the role. Continuing with the three identified themes, in this section we share a few ideas for research that are likely to lead to usable knowledge for enterprising families in preparing next generation leaders.

From a Leader to a Leadership Capability

In family businesses, leaders exhibit a set of entrepreneurial, ownership, and managerial behaviors that involve others when family and business demands warrant growth in leadership capacity. Studies place attention on the activities undertaken and the manner, or style, with which those activities are carried out. More significant attention has been placed on leadership as the set of classic entrepreneurial behaviors that involve founding the firm and the related managerial behaviors that involve planning, organizing, staffing, directing, and controlling (Koontz and O'Donnell, 1972).

As shown in the Swedish chapter, father to son linkages occur early on. This suggests that it is incumbent upon the first generation to prepare family leaders early on, so that they feel responsible for maintaining the family legacy in the following generations. This could be done through transgenerational learning and entrepreneurship which have been found to be key facilitating factors in next generation leadership selection and development. These facilitating factors become more apparent when elements of socio-emotional wealth and family social capital are born in the family generational system and radiate across the organization and the community, affecting the dynamics between the family business and its internal and external stakeholders. Emphasis is given to leadership as ‘leader-member’ exchange, both as ‘family to family’ and ‘family to non-family’ exchange and its role in establishing and building trust and social capital (Steier and Muethel, 2014). ‘Leader-member’ exchange can be observed when children in the next generation show interest and are keen to take a
leadership role in the family business, learning from family and non-family keypersons alike.

Contingency approaches draw attention to person-situation fit. The underlying argument is that different situations require different types of leaders and different leadership processes. Situations vary in the type of perspectives, demeanor and knowledge required to be effective. Comprising top management teams and diverse boards of directors are mechanisms for overcoming the limitations of a single leader's capability. In studies of non-family businesses, the emphasis is often on replacing the leader as opposed to changing the approach to leadership and/or modifying the situation to leverage the leadership resource. In family businesses, greater consideration is given to leveraging individual capabilities alone and in concert with others. As the family business grows, leadership effectiveness is less about what the individual knows and more about the individual's ability to bring the expertise of others to bear on a situation, alone and in combination with others (Sorenson, 2000).

Growth in size of the enterprise and its leadership demands creates a juncture at which either the approach of the leader needs to change (the leader him/herself has to develop) or a leadership capability that is less reliant on the capability of a single individual needs to be developed. The family offers a potential resource for addressing that aspect and the founder’s desire to keep the family in the business provides the motive.

Shared leadership may need to evolve to effect the next level of collaboration required by diversification. Decision-making structures may be useful to address business-related issues, but, shared leadership may go beyond the business dimension and be beneficial and effective in addressing family and ownership-related matters as well, as illustrated by the Indian chapter. It would be interesting to further examine the antecedents and outcomes of shared or collective leadership. Culture, family size and multigenerational intentions may be important influences on shared leadership and its role in creating business legacies across several generations.

Familial Values and Professionalization

As an individual who influences others, family business leaders establish a ‘tone at the top’ of the business. Values are established within the family and transcend the family system to affect the values and culture of the family business (Sorenson, 2014). Founders are especially influential in establishing the family business’ values (Dyer, 1986). Exhibiting and promulgating moral values (Rokeach, 1973) that evidence a duty of care and duty of loyalty characterize a leader as ethical (Trevino, Brown and Hartman, 2003). When these types of leadership values are evidenced in
leadership behaviors, leaders are perceived as increasingly trustworthy (Sundaramurthy, 2008). In sum, a leader’s values help establish the standards by which the family business will conduct itself, establish a lens through which leaders, their family, and subordinates view situations, and establish a standard against which a leader’s conduct is assessed.

Two of the chapters are especially helpful in expanding our understanding of the importance of values and the sharing of values in leadership’s influence on a family business’ behavior and transgenerational entrepreneurship. In Chapter 7 by Yamaguchi, Kozono, and Higashide, the importance of transmitting certain values from one generation to the next, as a source to guide their actions and influence others’ in relation to the family business is highlighted. This chapter also sheds light on how these values are transmitted via conversations, by example, and by receiving feedback from non-family top executives. Matser, Bos, Heetebrij-van Dalfsen and Coen Rigtering (Chapter 6, this volume) also note how founder’s values have served as the guiding principle to manage the family business. However, despite the transference of these values to the next generation, the non-family leaders’ efforts conflicted with those of the family, leading to a less efficient organization. The family saw the need to re-establish specific values to change managerial practices into a more dynamic and less bureaucratic approach.

In both the Japanese sake business and the Dutch automotive carpet business, the capacity to deal with circumstances that could not have been anticipated or the use of overly formalized standards, respectively, necessitated a more enduring and flexible basis for judgment. Notably, in both chapters, the application of values complement established policies and practices, and, trusted non-family members contribute to leadership. The policies and practices underpin operating legitimacy, a requisite for success in the family business’ competitive markets. But, it appears when situations can be viewed through a common values lens by multiple individuals, family businesses establish greater capacity to establish cohesion and accommodate variation. This suggests that values play an important role in familiness as a resource and that non-family members can contribute to or detract from the development of familiness and its contribution to leadership as a capability.

The fact that values play a key role in developing next generations and the way they lead the family business presents an important avenue for future research. Mixed results can be found in the literature regarding the permanence of values over time. Most studies suggest that values need to be transmitted, as do these two chapters in the book. Other studies however, suggest that certain values need to be changed for family businesses to survive over time (e.g. Parada, Nordqvist, and Gimeno, 2010).
Understanding better which values should be transferred and which values may be changed may shed light on the role values play in the sustainability of the family business and the development of next generations.

Whereas Yamaguchi et al. (Chapter 7, this volume) suggest that values can be transferred via non-family managers’ feedback, Matser et al. (Chapter 6, this volume) note that non-family managers, as they come with different values, may erode the family values. In light of this contradicting argument, it would be interesting to understand what role non-family managers play in the transmission of values to the next generation and how non-family managers are exposed to and embrace family values.

In drawing attention to the consideration of professionalization of the family business, an emphasis on agency theory logic suggests important distinctions between the manager’s role and the owner’s role and the establishment of standards and procedures for both roles. The family business becomes more formal and professionalized for purposes of coordination of activity and oversight, albeit with a number of alternatives for doing so (Stewart and Hitt, 2012).

The chapters based on an Italian firm and on a Dutch family business offer interesting insights about professionalization. Brumana, Cassia, De Massis, Discua Cruz and Minola (Chapter 5, this volume) show how the process of professionalizing the family business influences the entrepreneurial attitudes of next generation leaders. Shifts in education and knowledge from more intuitive and tacit leadership to a more formal, analytic approach and the increase in felt responsibility for the family business as a result of the next generation’s involvement in the management of the business occur in tandem with professionalization. This suggests that the way family businesses deploy their professionalization affects how next generations will behave with regards to entrepreneurial activities. Chapter 6 by Matser et al. also tackles professionalization, but points out that professionalization efforts may endanger organizational culture and management style. The implications of both chapters are that family businesses need to carefully work on their professionalization; the manner in which the business is professionalized can positively impact the entrepreneurial capabilities of next generations, but it may also slow down decision-making and negatively affect the family business’ competitive edge.

While traditionally research has addressed how the family’s failure to professionalize the business limits its future, it is also important to consider how professionalization can be initiated and managed so that it does not become a threat to the organization’s culture. A possible avenue is to clarify the importance of hiring people who share the family values that the family business wants to preserve over time (Parada et al., 2010). Interestingly, the possibility that professionalization may change the organizational values
may also open opportunities for family business to drive change in the organization when needed.

**Structure and Next Generation Leader Preparation**

Understanding that professionalization has an effect on the development of entrepreneurial attitudes may necessitate proactive consideration by business families about the organizational structure they want to create and its relation to transgenerational learning opportunities. Further research about the types of structures used and their relationship to business complexity and entrepreneurial attitudes and outcomes would inform greater precision in choice of approach to professionalization (Stewart and Hitt, 2012). Additionally, exploration of how transgenerational learning for the next generation may need to encompass the complementary development of formal and analytical education and the development of intuitive skills is warranted.

When the leader (the incumbent or founder) is able to develop interpersonal trust and competence based trust by welcoming and being open to others, as evidenced in the Malaysian chapter, whether it is intentional or unintentional, with the latter based upon values and principles towards life, it is evident that the leader feels and exercises responsibility for family and non-family members beyond the immediate family. This may lead to the leader giving everything he can to achieve outcomes to reciprocate the efforts of others, which in turn, builds a broader construal of familiness and attachment to the family business as a resource (Habberson and Williams, 1999). Trust as a personal value becomes trust as a resource (akin to social capital) when values inform behavior and do so in a consistent and recurrent manner. Without followership, it is hard to have leadership. In this context, the family business fosters institutional trust and gain benevolence, integrity, consistency based trust and competence based trust (Steier and Muethel, 2014).

In multiple chapters, we observe that situations involving subsequent generations are shaped to take advantage of the emergence of talented family members. Diversification of the family business provides an opportunity to benefit from the family resource and further develop the leadership capability. When businesses expand and diversify, the tangible and intangible resources and capabilities within the business will also need to grow. When this business situation accompanies an increase in family size and members, common to evolution from the founder to the next generation and forward, we can expect a bigger pool of family capital with regards to leadership, management and knowledge capabilities and competencies. The family business’ structure can be modified to address
and manage the increased complexity in decision-making, socio-emotional wealth and relationships. Family members may become functional specialists or emerge into roles as leaders of business units. But eventually, especially if the family retains ownership and managerial control, solutions to develop shared or even collective leadership both intragenerationally and intergenerationally will be needed.

The diversified business structure can provide opportunities to utilize and further develop family leaders and leadership. Five chapters evidence some form of diversification as a mechanism for leveraging family interests; idiosyncratic family interests better explains the unrelatedness of diversification. Only in the case of the geographically diversified Dutch family business, does economic logic, likely introduced by the non-family managers that bridged the first and second generations, appear to prevail as an explanation for expansion.

In closing, we believe that the chapters in this book are path breaking in their exploration of the ways in use to develop the next generation entrepreneurial leaders of family enterprises. We hope you enjoy reading these pioneering insights and find yourself drawn to conceptualize and implement innovative ways to develop next generation leaders of family firms.

REFERENCES


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