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The role of leadership and emotional intelligence in enhancing communication in family businesses

Rola przywództwa i inteligencji emocjonalnej w procesie komunikacji w firmach rodzinnych

Abstract:
This conceptual article seeks to address the nature of communication in family business between family members – the leader and the follower. Dynamics of this relation are explored in the light of the characteristics of the leader, such as emotional intelligence and the type of executed leadership. The results of the elaboration underlines the entrepreneurial leadership as the most relevant in family businesses. The article provides the theoretical framework of the possible and testable links between factors affecting communication in a specific organizational setting. The article focuses on deepening the understanding of the effective communication between family members who run the business activity.
Key words: emotional intelligence, family business, entrepreneurial leadership, family communication

Abstrakt
Celem artykułu jest przedstawienie koncepcji komunikacji w firmach rodzinnych pomiędzy członkami rodziny. Dynamika relacji pomiędzy liderem a osobą współpracującą jest poddana eksploracji w kontekście inteligencji emocjonalnej lidera oraz stylu przywództwa. Wyniki elaboracji podkreślają istotę i znaczenie przywództwa przedsiębiorczego w firmach rodzinnych. Artykuł przedstawia teoretyczne założenia i powiązania między czynnikami warunkującymi komunikację w charakterystycznym środowisku organizacyjnym. Wiodącą ideą jest pogłębienie rozumienia skutecznej komunikacji pomiędzy członkami rodziny, którzy wspólnie prowadzą działalność gospodarczą.
Słowa kluczowe: inteligencja emocjonalna, firmy rodzinne, przywództwo przedsiębiorcze, komunikacja w rodzinie

Introduction

> *„A man shows his greatness not by his possessions,*
> *but by the person he is; not by what he owns,*
> *but what he shares with other people"*
> Pope John Paul II (speech on 18.02.1981)

Following these words, it can be stated that the essence of a man's life lies in his identity and relationships with other people. The idea of sharing is especially valid when it comes to people who we trust the most, people we spend our life with, people who made

this life possible. Family is the basic social unit of society with special binding ties (Hill, 2003) which become basis for other relationships incorporated into society. Families can be described as social units that form their own symbolic worlds focused on shaping behaviors and relationships and socializing members toward the society (LaRossa & Reitzes, 2004).

Having a family is one of the basic motivations of a human being in order to survive and ensure the long-lasting memory of our life. Relations are also the core of business; they decide about its success or failure. The emerging question here is what happens when these two areas come into interplay? Common sense imposes the reasoning that making a business with people we trust is the most logical thing to do. Family businesses are about loyalty, integrity and a sense of belonging. In the times of high unemployment rates, especially among young people, joining a family business seems to be a wise decision. In addition, succession process within the family implies the natural way of passing the company over to the next generation. Yet, taking a closer look at family business shows that conflict lies at the heart of its functioning, especially when the generation gap plays the crucial role.

While the non-family owned businesses may base their recruitment process on selecting individuals who match their expectations and job description, family businesses face the situation which becomes more complicated. In the case when a successor is eager to follow family tradition and has prepared to do so in terms of qualification, then the process is much smoother. In the light of events, often unexpected, such as poor health conditions, death of a family member or threatening economic situations, one may raise the question of what happens when the successor has a clearly defined career path which stands in opposition of family business interests. Is there any way of overcoming the prevailing conflict of interest, identity and unfulfilled expectations? Furthermore, it often occurs that a potential conflict arises when the successor does not meet the founder's expectations in terms of entrepreneurial behaviours. In other words, he or she is not able to develop business activity and simply keep the business prosperous.

It has to be stated that on a global scale, a large deal of wealthy families who run business lose their wealth by the second and third generations (Sirmon & Hitt, 2003). In Poland, the practice shows that interpersonal conflicts have a detrimental effect on family businesses. The common scenario relates to the business and family split, where usually younger generations migrate to other countries for employment reasons. The main challenge for family members seems to be making business decisions which would be beneficial for both family and the business. These practical arguments justify the need to explore these challenges from a problem-solving perspective.

Thus, there is a need to provide conceptual framework to grasp a deeper understanding of effective communication in family businesses, bearing in mind the role of the leader being the owner of the company in enhancing this process.

1. The importance of effective communication in family firms

Communication is believed to be one of the basic activities in daily life of family (Koerner & Fitzpatrick, 2002). Some researchers sustain that communication lies "at the heart of family processes'' (Segrin & Flora, 2005, p. 4). Vangelisti (2004) stated that ''it is through communication that family members create mental models of family life and through communication that those models endure over time and across generations'' (p. 13). More importantly, functioning of the family unit may be affected by communication in a way that it can be improved or weakened (Smith, Freeman, & Zabriskie, 2009). When it comes to running a business by family, effective communication was found to be one the most crucial prerequisites of success (Williams, 1992). Communication is associated with dialogue and in fact strategic dialogue affects effective succession in family business. Researchers argue that communication may change across generations yet it is definitely an importance practice to be developed and maintained for family and business sake (Brundin, et al., 2007).

2. Leadership in family business

Leader has often been the focus of leadership research, and researches have explored the traits and behaviours that distinguish a leader from a non-leader. Leadership, on the other hand, is the process of influence (Yukl, 2008) and reflects a more complex and dynamic phenomenon than that of an individual actor. The most significant leadership difference between professionally managed and family business stems from the role of the family firm founder as an entrepreneur and as member – often the head- of the family. The role of the founder is crucial because it is the founder of a firm who creates the organization's culture and builds the basis for a sustainable leadership style (Schein, 1983). Congruence of family and business goals has led researchers to suggest that family business leadership – in the sense of corporate governance – is less affected by agency problems than leadership in nonfamily businesses. For example, Randoy and Goel (2003) argue that founder leadership is a substitute corporate governance mechanism that can replace the significance of other monitoring mechanism, such as direct monitoring by outside owners.

The central element of family business leadership is the vision of what is best for the business and the family in the long perspective. This is also the key area of overlap between leadership research and family business research identified by Hoy and Verser (1994). Effective leadership in a family business is a reflection of the founder's ability to convey her vision to others, especially family members employed in the firm. Problems occur when the founder fails to articulate a vision, and these problems may be particularly challenging when a new family member enter the firm and leadership dynamics.

With regard to specific leadership styles, Sorenson (2000) explored categorization of family business cultures and studied the prevalence of five different leadership styles in family firms: participative, autocratic, laissez-faire, expert and referent. The most prominent type of family business culture was paternalistic (autocratic), where relationships are arranged hierarchically; managers retain key information and decision-making authority, and closely supervise employees. Such leadership style can produce low morale and satisfaction, resulting in high turnover.

However, Koiranen (2003) observes a connection between entrepreneurship and paternalism, namely emotionality. Emotionality is a strong psychological force behind any affective reaction, like commitment to a family business. Entrepreneurs themselves and those involved in entrepreneurial businesses are inspired, excited, passionate, and devoted. The prevalence of paternalistic leadership practices in filmy business may be closely related to the strong emotional connections predominant in such firms and the need to behave entrepreneurially; characteristics that both typify entrepreneurial family businesses.

Laissez-faire leadership style allows freedom of choice in decision- making (Bass, 1985). Participative leadership – which is often contrasted with autocratic leadership – can be characterized by the leader involving organizational members in decision-making. Such participation can provide an important mechanism for interpersonal processes for adaptation and change in family businesses. Other benefits resulting from that include conflict resolution, increased decision acceptance, increased job satisfaction, and work enrichment (Bass, 1985).

The final style of leadership that Sorenson (2000) examines in family business context is referent/expert leadership. However, rather than processes of influence, these "styles" are personal attributes of leader that are source of technical skills, while referent leadership occurs when followers have a positive regard for and desire to please the leader (similar to charismatic leadership) (Bass, 1985).

Sorenson (2000) claims that referent and participative leaders of family businesses enable their firms to obtain desired outcomes for both business and family. However, these more traditional styles of leadership may be less valid in the context of modern family businesses. For instance, Michael et al. (2002) argue that taking the changing business environment into consideration firms today should pay more attention to entrepreneurial management than to the traditional styles of strategic management. In other words, companies should concentrate on discovery, development and growth rather than the coordination-focused administrative management.

Nowadays, business owners struggle with constant traps of administrative management. Moreover, another most important driver for the shift from administrative to entrepreneurial management in the business society is the increasing technology development. Race to innovate, need to lead in a multicultural setting, development of

a learning organization, globalization and the emergence of new economic powers force to make changes in business environment and managerial challenges. McGrath and MacMillan (2000) highlighted the need for the entrepreneurial mindset in fast-changing organizations, and they explain entrepreneurial mindset as a "way of thinking about the business that captures the benefits of uncertainty" (p. 1).

Following that the concept of entrepreneurial leadership has emerged. Precisely, it evolved from the intersection of entrepreneurial behaviours and good leadership practices. Family businesses are facing these changing environmental forces like all other businesses are, and the need for entrepreneurial leadership is evident as it may be a solution to typical for these types of firms problems such as overlap of the family and business systems (Zahra & Sharma, 2004). For instance, entrepreneurial leadership by empowering employees and promoting an appropriate level of autonomy may direct organizational members' attention to new entrepreneurial opportunities and away from potential sources of relationship conflict.

Some research has endeavoured to compare the characteristics of entrepreneurs and leaders resulting in following common characteristics: being able to motivate, being achievement oriented, creative, flexible, patient, persistent, risk-taker and visionary (Fernald, et al., 2005). Additionally, Cogliser and Brigham (2004) draw similarity between leadership and entrepreneurship such as vision, influence on both followers and on a larger constituency, leading innovative and creative people, and planning. Furthermore, Thornberry (2006) states that entrepreneurial leaders have a strong internal locus of control, high tolerance for ambiguity, and a strong desire to create, build, or change things. The characteristics of entrepreneurial leadership in family businesses could comprise having a vision of the future of the business that is based on continuous recognition of new entrepreneurial opportunities, and pursuing the vision through creative, innovative, and sometimes risky tactics. This type of entrepreneurial leadership in family business is demonstrated by the leader (founder), but even more importantly the leader guides the followers (employees) to pursue goals that are driven by entrepreneurial opportunities.

More importantly, in a family business the opportunities which are being pursued have to be both profitable in an economic sense and congruent to values and standards embedded in a family culture. In this sense, the multiplicity of the entrepreneurial leader's role comprises setting an example for followers and directly influencing followers' actions by providing encouragement, resources, and incentives (Thornberry, 2006). Research suggests different types of an entrepreneurial leader. First one - a market-focused explorer is focused on developing new markets, services, and products. These practices involve highly innovative and proactive behaviours. Second type is a miner who is more concerned with operational issues increasing the effectiveness of the company by improving customer service. In the case of miners, innovativeness and proactiveness are demonstrated in

processes rather than in products. A third type – an accelerator is focused on the company taking a human resources management perceptive into account. Accelerators constantly challenge their colleagues and subordinates to think and act in more innovative ways. Throughout these practices, they promote entrepreneurial behaviour in the organization. A fourth type of an entrepreneurial leader is an integrator who embodies skills of explorers, miners, and accelerators, and takes the broader view on the company as a whole, focusing on the strategy (Thornberry, 2006).

The set of practices based on direction, organizational renewal and innovativeness implemented by entrepreneurial leaders is very crucial for organizational survival. As stated above, this type of leadership not only helps in resolving interpersonal conflicts, but also improves communication, reinforces favourable vision and develops organizational culture which is valid over extended tenures and across generations.

Another area of organizational performance may benefit from entrepreneurial leadership, namely decision making process and idea conflict, in particular. Idea conflict which arises from judgmental differences about the best ways to achieve common goals has been found to be functional and necessary for performance (Ensle & Pearson, 2005). Furthermore, each member of a family business organization attempts to find entrepreneurial solutions to business problems, increasing the number of novel ideas to be considered by the organization, and thus potentially increasing idea conflict and improving overall decision making process. Fair decision making processes in family firms are paramount to employees' retention and job satisfaction (Barnett & Kellermanns, 2006), especially non-family employees whose perspective is crucial to study. Entrepreneurial leadership, with its main focus on identifying and pursuing opportunities, can provide a unified framework within which all employees – family as well as non-family members – are equally encouraged to achieve and be responsible for entrepreneurial goals. This may reduce family bias and favouritism, which may otherwise lead to perceptions of unfair treatment among nonfamily employees (Carsrud, 2006).

The role of a leader, who is also the founder of a family business, and the way of management differs from other organizational settings due to dualistic nature of performed role – as an entrepreneur and the head of family. Converging two sets of goals, family and business ones, have led researchers to conclude that founder's leadership is a sufficient equivalent to control mechanisms applied in other organizations (Randoy, Goel, 2003). Nonetheless, the researchers have omitted one important aspect – managing individuals who are family members.

3.   Entrepreneurial leadership

A constantly changing market calling for the need of innovation, the development of learning organizations and globalization have all pressured organizational psychologists and economists to define a new leadership style which would capture market uncertainty as development opportunity. MacMillan and McGrath (2000) described such an attitude as entrepreneurial.

Renko et al. (2012) addressed this issue by introducing the concept of entrepreneurial leadership. The aim of this style is to recognize and exploit entrepreneurial opportunities defined as possibilities to introduce innovative (rather than imitative) goods/services to a marketplace (Gaglio, 2004). The attributes, behaviors and actions that characterize entrepreneurial leadership, and distinguish it from other leadership styles, focus on the entrepreneurial goals for such leadership: opportunity recognition and exploitation (Shane & Venkataraman, 2000). While leader's attributes have been widely researched by organizational psychologists, the new perspective on leadership seems to be more accurate and will be employed in the present research.

As proposed by Yukl (2008), the ability of an individual to influence, motivate, and enable others is central to being a leader. A leader's behavior comprises encouraging, supporting and providing a follower with an adequate level of support to direct his attention to entrepreneurial opportunities. Conducting this form of actions distracts attention from potential sources of interpersonal conflict. The double role of entrepreneurial leader constitutes becoming a role model by setting an example and influencing follower's actions by encouraging and providing an access to resources. However, it has to be stressed that no research so far has analyzed the way a leader performs his role.

Additionally, entrepreneurial leadership is particularly likely to achieve its goals where leaders themselves act as entrepreneurial role models, where empowered followers have high levels of entrepreneurial self-efficacy and entrepreneurial passion, and where organizational and environmental contexts and available resources are favorable. Nevertheless, no research has explored the situation, when followers do not possess entrepreneurial passion and the market has limited resources available, such as in the context of family firms where children despite having other occupational calling join their parents' family firm.

4.   Emotional intelligence and leadership

Leaders are being judged by the followers on the basis of their ability to handle themselves and the team. A leader with vision and passion by infusing enthusiasm and

energy in the team leads to goal attainment. All of these aspect lie on the common ground which pertains to emotions. George (2000) conducted a study which showed that emotions play a significant role in leadership.

Emotional intelligence (EI) as a construct has been broadly researched (Goleman, 1995) which resulted in various theoretical and empirical framework developed to throw a light on the relation between emotion and thinking. From the practical point of view, it has to be stated that due to rapid development of civilized world, people suppress their emotions, disabling their emotional growth, which eventually results in many social problems, like depression, addiction, anxiety. A large part of research has been focused on this negative features of emotional ignorance (Seligman, 2003), throwing a shade on positive outcomes of emotional intelligence, especially in an organizational context.

When it comes to personal characteristics of the leader, in particular his or her ability to cope with emotions, the research has found that low perception people acknowledge that there are a lot of hassles in their life, but they manage to suppress negative thoughts or totally disregard them. Nevertheless, the research findings have presented trait emotional intelligence scores to be in significant correlation with stressful events, (e.g., Ciarrochi et al., 2002). In particular, Mikolajczak and colleagues (2006) have carried out the research that trait emotional intelligence might have an impact on the cognitive appraisal of a stressor. The findings showed the association between higher trait emotional intelligence scores and less threatening appraisals.

On the other hand, individuals who score higher on self-reports of trait emotional intelligence tend to be more satisfied with their life and consequently less depressed. In support of these findings, Saklofske, Austin, amd Minski's (2003) research showed trait emotional intelligence to be positively correlated with life satisfaction and negatively with depression vulnerability. Carriochi, Deane and Anderson (2002) also proved that those who scored higher on ability of managing one's emotions associated with lower level of depression.

Taking a larger perspective of the leadership, that is beyond the mere characteristics of the leader, the most recent research has sought to examine the power of emotional intelligence in the context of leadership in an organizational setting (Goleman, et al., 2013). The study conducted by mediating role of emotional intelligence in the relation of leadership and organizational performance (Khalili, 2017). It throws a light on the leadership as a process of influence, taking into account the dynamics between the leader and the follower.

A vast majority of research carried out to explore leadership and its effectiveness has focused on transformational style. For instance, Leban and Zulauf (2004) found that a project manager's transformational leadership style has a positive impact on actual project performance, that emotional intelligence ability contributes to a project manager's transformational leadership style and subsequent actual project performance.

Another study, conducted by Palmer and others (2001) showed that emotional intelligence was associated with several components of transformational leadership. The results set a basis for the assumption that EI may influence the effectiveness of leadership as it may account for how leaders monitor and respond to follower while taking care of the organizational climate.

On the other hand, a scarce attention has been paid to entrepreneurial leadership and its association with emotional intelligence. Rhee and White (2007) explored characteristics of the entrepreneur as leaders in the new venture process. The participants reported high levels of self-confidence, trustworthiness, achievement orientation, service orientation, change catalyst, teamwork and collaboration. Thus, there is a need to explore the construct of entrepreneurial leadership in the relation with emotional intelligence in an organizational setting.

Conclusions

The paper presents a theoretical framework for the conceptual model of communication on the basis of possible relation of entrepreneurial leadership and emotional intelligence. Future research may explore this relation in the context of family businesses where, due to the dualistic role of the leader (also being the parent), emotions have complex and multidimensional nature. Possible research questions may pertain to identifying factors (dimensions of each construct) stimulating or hindering the process of communication between family members.

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