THE IMPACT OF MANAGEMENT ACTIVITIES AND LEADERSHIP STYLES ON FAMILY-OWNED BUSINESSES: A THEORETICAL PERSPECTIVE

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Abstract
This article deals with the whole concept of family-owned businesses and the impact that management activities have on the different types of leadership styles that is prevalent within family owned businesses. An attempt is made to provide a deconstruction of the theoretical underpinnings of leadership within the context of family-owned businesses. Ultimately the management process and activities of a family-owned business is a key catalyst for ensuring the survival of these businesses within a localised and globalised environment.

Keywords: Management, Impact, Leadership, Human Resources, Management Activities, Power.

1. INTRODUCTION
Family-owned businesses are the most prevalent and pervasive form of business through all of history (Kenyon-Rouvinez and Ward, 2005: 1). Family-owned businesses particularly the small-to-medium sized, are the grassroots of the global economy, and are clearly the majority of all the businesses in the world (Heck and Trent, 1999:50). According to Venter and Boshoff (2007: 42), small and medium-sized family businesses are known for creating jobs and economic wealth globally. They are also becoming the dominant form of enterprise in developed and developing countries around the world. This article defines a family-owned business, outlines the characteristics of a family owned business, and the impact of management activities of a family-owned business from a theoretical perspective.

2. CONCEPT OF A FAMILY-OWNED BUSINESS DEFINED
According to Chua and Litz (2003:8) it is important to note that a family business and a small business are not necessarily analogous. There are many large corporations that are considered to be family-owned businesses, but the clear majority of family businesses are considered small businesses with less than 20 employees (U.S. Small Business Administration, 1997:1). Empirical research seems to be leaning toward the assumption that businesses are only rarely an either-or scenario between no family influence and complete family influence and control (Tsang, 2002:13). Instead, most businesses appear to vary in terms of degree of family involvement (Sharma, 2004:5).
Astrachan and Shanker (2003:9) developed three operational definitions of family businesses in terms of family involvement:

- The most liberal definition of a family-owned business uses the condition that the family has voting control over the business;
- The mid-range definition includes businesses that have direct family involvement in the everyday business procedures; and
- The most conservative definition classifies family businesses as businesses owned by families with voting control of the business, and multiple generations that are involved in the everyday business procedures.

Regardless of how broadly or narrowly family businesses are defined, it is critical to recognise that they make significant contributions to a country’s economic development (Astrachan and Shanker, 2003:9). Hienerth and Kessler (2006:71) mention that identifying an appropriate definition and measure of business success is especially important in the study of family-owned businesses. The definitions of success that have previously been used in family-owned business research are often ambiguous, considering that each business strives to achieve a host of differing financial and non-financial goals (Olson et al., 2003:21). Walker and Brown (2004:15) examined success factors of small business owners, and indicated that although financial criteria have generally been considered to be the most appropriate measure of business success, finances may not be the best or only indicator of business success. Walker and Brown (2004:15) noted that business owners often have other business goals that are not necessarily financially-based, such as lifestyle, personal achievement, and pride in the business.

3. CHARACTERISTICS OF A FAMILY-OWNED BUSINESS

The following are some of the characteristics of a family business:

3.1 Business Size

Walch and Merante (2007:1) conducted a study to determine what the appropriate staff size was for the business to be resilient and to prosper. Resilience was defined by the authors as the business’ ability to withstand an interruption or security breach and be able to continue to remain, or return to productivity within an acceptable amount of time. The authors developed a quantitative model from which a business could calculate the needed number of employees required to maintain productivity and resiliency. There were many factors incorporated in the model which included the type of industry, the number of major systems within the business, the total number of applications or systems, and a rather ambiguous factor that weighed the complexity of the business infrastructure. Based on these factors, Walch and Merante (2007:1) concluded that this model was an objective measure by which a company could determine the number of employees that were needed.

3.2 Home-Based Businesses

According to Walch and Merante (2007:5) home-based family business owners supported themselves entirely through their home-based business. Business managers or owners considered their business to be successful because of their ability to support themselves through home-based business. One of the greatest self-reported factors related to perceived business success was the result that a clear majority of home-based family-owned business owners considered their business to be successful, based exclusively on the fact that they were working at something that
they enjoyed, and not based upon business profitability. It was also stated that home-based family-owned businesses were continuing to increase in number, and needed to be studied to a greater extent in order to better understand this rapidly growing sub-group of family-owned businesses.

3.3 Age of Business

According to Chrisman and Chang (2004:9) the risk of businesses failure is highest when the business is young, peaking near age three or four, and then the risk of failure decreases as the company increases in age. Chrisman and Chang (2004:9) also compared younger family businesses with older family businesses, and suggested that the amount of total family involvement in older family businesses is less than in younger businesses.

3.4 Commitment

According to Ward (2002:50), the family as the business owner shows the highest dedication in seeing its business grow, prosper, and get passed on to the next generations. As a result, many family members identify with the company and are usually willing to work harder and reinvest part of their profits into the business to allow it to grow in the long term. In dealing with its family business clients, the organisation under study highly values having a committed set of leaders at the core of the company.

3.5 Knowledge Continuity

Families in business make it a priority to pass their accumulated knowledge, experience, and skills to the next generations. Many family members get immersed into their family business from a very young age. This increases their level of commitment and provides them with the necessary tools to run their family business (Ward, 2002:50).

3.6 Reliability and Pride

Because family businesses have their name and reputation associated with their products and/or services, they strive to increase the quality of their output and to maintain a good relationship with their partners inter alia their customers, suppliers, employees and community (Ward, 2002:50). Ward (2002:51) goes on further to mention that several studies have shown that family-owned companies outperform their non-family counterparts in terms of sales, profits, and other growth measures because of its distinct characteristics.

4. MANAGEMENT ACTIVITIES OF A FAMILY-OWNED BUSINESS

Westhead and Howorth (2006:20) mention that it is reasonable to assume that the characteristics of the owners and managers of family owned businesses have an impact on the success and profitability of the businesses over which they administer. Ownership structure refers to how the business is held in ownership including the distribution of shares within a family, and the degree of non-family ownership. However, there is evidence to believe that family businesses with larger groups of directors and managers are associated with higher levels of growth in sales revenues (Adams, Manners, Astrachan, and Mazzola, 2004:22). The authors go on further to mention that family businesses should not avoid appointing family members to positions of
management or power within the family business. Managers in a family business must develop business goals and objectives, and then actually execute the goals and objectives.

Adams et al. (2004:22) state that a business needs to be managed in a way that would help it to stay alive. The most common way to make sure that a business survived is for it to make money. Goal setting for profit and other objectives is an important task. Adams et al. (2004:22) concluded that adding discipline to the decision-making and goal-setting processes was greatly facilitated by using the cost-of-capital concepts. Cost-of-capital is the amount of return on investment necessary to reach business goals. The cost-of-capital includes the cost of using debt or other people’s money, and the cost of equity (Kellermanns, Eddleston, Barnett, and Pearson, 2008:51).

A study performed by McConaughy (2000:12) examined the CEO compensation of family businesses. The author attempted to test the family incentive alignment hypothesis, which predicted that family CEOs have greater incentives for helping the family business grow and prosper and, therefore, needed fewer compensation-based incentives than non-family CEOs over family businesses. The sample consisted of 82 family businesses, 47 of which were controlled by CEOs who were members of the founding family, and the remaining 35 were controlled by non-family CEOs. It was concluded that family CEOs’ compensation levels were lower than non-family CEOs’ compensation levels. It was suggested that when family businesses moved from a family CEO to a non-family CEO, the owners should consider increasing the compensation because there was less incentive to grow the business when the CEO was tied only to level of payment and not to other non-compensation factors associated with the family business.

Kotter (2001:85) explains that management and leadership are different but complementary. In a changing world especially in the case of the organisation under study, one cannot function without the other. Managers, on the one hand, promote stability whilst leaders press for change, and only organisations that embrace both sides of that contradiction can thrive in turbulent times. According to Nieman and Bennet (2005:3) the world is characterized by various types of business activities, and even people living in remote areas are not completely isolated from the influence of business activities. A thorough understanding of a business, its workings and its management is undoubtedly essential for every business manager. The concept of management frequently refers to the management of various functional areas of the business. However, management in general refers to a specific mode of thinking, namely the achievement of set goals and objectives by utilizing the resources available to the organisation (Nieman and Bennet, 2011:43). Therefore the mindset of management thinking is one of the skills that need to be developed. Different types of management styles succeed in different business activities or organisations (Taneja and Gupta, 2006:105).

5. IMPACT OF HUMAN RESOURCES ON A FAMILY-OWNED BUSINESS

Family owned businesses are composed of the following subsystems namely, family, ownership and management. Since each subsystem has different goals and operating principles, the family business becomes vulnerable and suffers the consequences of these blurred boundaries (Poza, 2007:11). A different set of skills is often necessary to manage human capital in a family business (Pille, 2009:1). As a business owner, the most important resource in the business is the people. Therefore employees should be the competitive advantage of any organisation. Pille (2009:1) further goes on to mention that "The work of human resources (HR) is to identify and develop people who have the talents and imagination businesses need to compete in a changing,
complex, competitive environment which means that HR management ought to be the most important job in every business."

In a family owned business, HR management does not necessarily require an HR department, and even where there is one, responsibility for identifying and strengthening key personnel does not rest solely with the HR department (Pille, 2009:2). It is also the owner or manager's responsibility. If people are the most important resource, then an organisation needs to understand the role of HR in business. Many owners believe that because they have only a few employees, they do not need to focus on HR issues. However, the reality is that when a person is a business owner, more attention and support should be given to HR issues because, effectively, the employees can make or break a business (Pille, 2009:2).

When employees or family members are unaware that the decisions taken are based on whether an issue is considered a family, ownership or management issue incongruent policies and untenable decisions can be created (Poza, 2007: 11). The employees are unable to operate at their full potential if there is no defined job description and boundary for each family member and employees will be in total confusion. Ibrahim and Ellis (2004:7) mention that family businesses often experience confusion over who does what. Again in this type of business the employee can also be affected by the negative environment of conflict which could impact on their productivity.

6. DISTINCTION BETWEEN LEADERSHIP AND MANAGEMENT

Until the 1980s, even experts often regarded good management and leadership as the same thing, some even considered leadership simply as a subset of management. However the understanding of both disciplines has improved since then and today experts in both fields generally agree that leadership and management differ from one another substantially (Mike DeGrosky, 2012:1).

Kotter (2001:39) stated that the purpose of leadership is to bring about movement and useful change, while the role of management is to provide stability, consistency, order and efficiency. Kotter (2001:39) adds that good managers produce orderly, predictable results; keep things on schedule and within budget; and make things work efficiently. Clearly, organisations benefit from good management. On the other hand, good leaders produce important, positive change by providing vision, aligning people's efforts with the organisation's direction, and keeping people focused on the mission and vision by motivating and inspiring them. Good leadership, like good management, helps an organisation to succeed.

7. UNDERSTANDING LEADERSHIP

Robbins (2000:40) has revealed that leadership is the ability to persuade others to seek defined objectives enthusiastically. Robbins (2000:40) defines leadership as the ability of superiors to direct, guide, and motivates people towards the attainment of a given set of goals in an organisation. It is human factor, which binds a group together (Robbins, 2000:40). The source of influence may be formal such as that provided by the possession of managing rank in an organisation or informally outside the organisation structure. Most organisational theorists agree that effective leadership is one of the most important contributors to overall organisational success. Thus the quality of an organisation’s leadership determines the quality of the organisation itself. The natural qualities of an individual in the environment in which he or she operates on daily events as they unfold coupled with other factors do influence his or her
leadership pattern. Leaders are not as such born, but are in fact made. A manager may be a boss but not necessarily a leader. Chima (2007:2) states that resources of both man and material will be bound to be wasted despite their scarce nature. Levine (2000:90) states that leadership means “the use of authority in decision-making”. According to Champoux (2006:278) leadership is a social influence process involving two or more people, such as the leader and the follower. Leaders are very influential and their influence lies in two dimensions, namely, in the intention of the leader to affect the behavior of at least one other person; and in the extent to which the target of the influence effort perceives the behavior as acceptable. Although leadership is difficult to generalise, it is essentially a 'relationship through which one person influences the behaviour or actions of other people' (Mullins 2002:253). This means that the process of leading and the activities of groups with effective teambuilding cannot be separated. Leaders need to focus on people and organisations moving forward. This is done, by increasing the competency of staff and the co-operation of teams, so as to enhance organisational performance.

8. POWER AND AUTHORITY IN LEADERSHIP

Leadership comprises various components inter alia authority, power, influence, acceptance of responsibility and accountability. According to Brevis, Ngambi, Vrba and Naicker (2002:279), authority is the right of a leader to give orders and to demand action from subordinates. Power refers to the ability of a leader to influence the behaviour of others without necessarily using this authority and, influence is the ability to apply authority and power in such a way that followers take action (Brevis et al., 2002:279). The other two components of leadership comprise the acceptance of responsibility and accountability. Leaders bear the responsibility for performing a task according to policy, and it is their duty to account for their actions. Every leader possesses a certain degree of power over others. Power is the capacity to act and the courage and strength to accomplish something. It is the vital energy required to make choices and decisions. It represents the capacity to cultivate higher and more effective leadership habits (Hellriegel and Slocum, 2003:79). Covey (2003:23) describes leaders with power, as having vision and discipline and whose lives are functional products of personal decisions rather than external conditions. These leaders make things happen; they are proactive; and they choose their responses to situations based upon timeless principles and universal standards. They take responsibility for their thoughts and actions.

Coupled with power is the element of authority. Every leader, no matter to which managerial level he or she belongs, is responsible for ensuring that subordinates work together to achieve the organisation's objectives. Without authority, a leader is unable to manage, initiate or sustain the leadership process. Authority, therefore, revolves around obtaining the right to perform certain actions, to decide who does what, to compel the execution of tasks, and to punish those who fail to do what is expected of them (Bardenhorst, 2001:69). According to Palmer, Van der Walt, De Klerk and Pitout (2002:127), authority is awarded to a leader in various ways. The difference between authority and power is important because there are many people who have authority (which has been awarded) but no power (which must be earned) to exercise leadership effectively. Power, therefore forms the basis of leadership. The owner of a family owned business may find it difficult to confer authority to another employee of the organisation. The owner of a family business must remember that whatever job description an employee is given,
they must also be given the authority to carry it out. Responsibility without authority is setting an employee up for failure (www.family owned business.com).

9. SOURCES OF POWER

Power is central to the leadership process. Mullins (2002:257) asserts that leaders are not always associated with a specific position, yet they have the ability to influence people towards the attainment of the organisational goals. The ability to influence people is based on five main sources of power which are identified as: reward or utility power; coercive power; legitimate power; referent power; and expert power.

9.1. Reward or Utility Power

Subordinates follow because of the benefits that come to them if they do. The follower has something the leader wants (which includes time, money, energy, personal resources, interest, talent, support) and the leader has something followers want (which includes information, money, promotions, inclusion, camaraderie, security, opportunity). The relationship between leader and subordinate is characterised by subordinates believing that the leader can and will do something for them if they maintain their part of the bargain by doing something for the leader. Most organisations are held together by reward or utility power and much of what happens in the normal operation of organisations is fuelled by reward or utility power (French and Raven, 2004:315). Covey (2003:103), maintains that this power is based on a sense of equity and fairness. As long as followers feel they are receiving fairly for what they are giving, the relationship will be maintained. It gives them access to what the leader controls, through position, expertness or charisma. According to French and Raven (2004:316) relationships based on reward or utility power, often lead to individualism rather than teamwork. An example of reward or utility power is when a staff member works voluntary overtime with the promise of a promotion by his or her supervisor.

9.2. Coercive Power

At this level, followers follow out of fear. They are afraid of what might happen to them if they do not do what they are asked to do. The leader creates fear in followers that either something bad is going to happen to them or something good will be taken away from them if they do not comply. It is, therefore, out of fear of potentially adverse consequences, that they 'get along by going along' or by giving 'lip service loyalty' (Grobler 2001:89). The followers' commitment in coercive power is superficial and has the potential to quickly turn to sabotage and destruction when 'no one is looking' or when the threat is no longer present. An example of this would be withholding pay rises, promotion or privileges; the withdrawal of friendship or support; formal reprimands or possibly dismissal. Mullins (2002:257) contends that coercive power imposes a psychological and emotional burden to both leaders and followers. It encourages suspicion, deceit and dishonesty.

9.3. Legitimate Power

According to Covey (2003:14), legitimate power is based on the power some leaders have over followers. Followers tend to believe in them and in what they are trying to accomplish. The leaders are trusted and honoured because followers want to believe in them and their cause. This type of following may not be described as blind faith or mindless obedience but is knowledgeable, wholehearted, with uninhibited commitment. Leaders who practice the principles of legitimate power may find that they are more careful of what they ask of others but have more confidence in doing so. As the leaders' understanding of the relationship between power and leadership increases, their ability to lead others and to have influence with others, without forcing them grows.
9.4 Referent Power
This refers to personal power and is a somewhat abstract concept. In this situation subordinates follow their leader simply because they like, respect or identify with him or her. In other words, the leader's personal characteristics make him or her attractive. Such leaders are said to have charisma. A leader may for example, not be in a position to reward or punish certain subordinates, but may still exercise power over the subordinates because he or she commands their respect (Smit and Cronje, 2003:336).

9.5 Expert Power
According to Mullins (2002:258), expert power is the extent to which the follower believes that the leader is an expert in a specific field, is competent, and has special abilities. Expert power is based on credibility and a clear evidence of knowledge or expertise in a given area. Expert power is usually limited to narrow, well-defined areas of specialisation.

9.6 Leadership Powers and Related Outcomes

Table 9.6.1 indicates the leadership powers and the followers’ behaviours and attitudes

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Source: Nieman and Bennett (2005:100)

10. Leadership Factors
According to Nieman and Benett (2005:101) it is of great importance to acknowledge core issues that relate to leadership which is motivation, communication, group and team functioning as well as culture and workforce diversity.

10.1 Motivation
Motivation can be best described as the internal drive to fulfill a need (Stark and Flaherty, 2004:190). According to Gillen (2004:46) “motivation is that which causes us to take action”. Motivation is the desire within a person that encourages him or her to perform an action, where one often takes an action to achieve a particular goal.

Job satisfaction can be accomplished by providing motivation to employees (Budiyanto and Oetomo, 2011:15) and it can also be created through a good work environment. Budiyanto and Oetomo (2011:15) state that employees prefer a good workplace because their conducive workplace will lead to physical enjoyment or pleasure. Job satisfaction of an employee can also be created through a proper application of leadership concepts. Furthermore, the concept of proper leadership can create employee satisfaction so as to create conducive atmosphere for employees in improving quality of service to customers or the public. Employees who feel satisfied are more likely to speak positively about the organisation, help others, which far exceed the normal expectations of their work (Budiyanto and Oetomo, 2011:15).
Based on the styles of leadership, the effectiveness of each of the style is also determined by a leader’s know how to motivate each individual they are working with (Management Today, 2004:25). Once workers are motivated, more effort is put into their job (Management Today, 2004:26). For any organisation to be successful in motivating its employees, the following aspects must be considered: employees should have timely and adequate access to require resources to serve their customers to their satisfaction; the workforce should perceive the recognition and rewards associated with service delivery as equitable; and ultimately employees should feel that management affords them the opportunity to expend their ability (Management Today, 2004:25).

10.2 Communication
Ibrahim and Ellis (2004: 164) contend that there is no doubt that communication is the most essential element for the success of any family business. Ibrahim and Ellis (2004: 164) further indicate that poor communication is a common problem in family businesses and the absence of adequate channels of communication is a common source of family business conflict, family members whose communication is based on honesty, openness and consistency will be able to manage and lead more productively than the one that is low on those dimensions. Maas, Van der Merwe and Venter (2005: 119) are of the opinion that sound relationships and conflict resolution are possible if there is effective communication.
Ward (2004: 115) advises that the use of family forums, which are annual family meetings in which family members can talk with one another openly. This can help in dealing with miscommunication and more serious conflict which in turn can affect the employees and the leadership practices of the organisation. However, Astrachan and Shanker (2003: 2) have indicated that good communication does not necessarily eliminate conflict but it contributes towards effective business management and conflict, which is not destructive.
Leaders at the organisation under study, have an open door policy as staff is encouraged to communicate freely. Plans for the day and any issues or problems they think they might encounter is communicated on a daily basis. Advice is shared and issues are easily resolved.

10.3 Groups and Teams
The management team is encouraged to be familiar with and utilise the SMART principles when setting their work objectives, indicators and targets for their employees. Koning (2010:2) advocates applying the SMART Principle to the team’s objectives:

- Specific: The team members need to understand precisely what is expected of them. Any lack of clarity can result in the team aiming off target and missing the goals or the vision;
- Measurable: “How will we know that we are on track, particularly if the objective will take some time to be realised? Can we measure along the process to know that we are heading in the right direction?”
- Achievable: Do the team members buy into the objectives? Do they believe that the organisation can deliver what is expected of them with the skills, training and time available?
- Realistic: Are the objectives realistic? Will the goals that have been set for the team realistically deliver the vision desired? and
- Timely: The criteria above might have been met, but does the team have sufficient time to do a competent job?
“Objectives and goals help a group focus as a united team with one shared objective, and can avoid the situation where an organisation has a group of people that are not coherent and are more a collection of individuals rather than a team” (Koning, 2010:1). Bergtheil Imports and Exports does not have any team building exercises, as the operational requirement of their company does not provide the time to permit this. A social event is planned once a year during the month of December, where all staff and management socialize over lunch and get to know about each other. The families of staff are also invited to enable the leaders to get to know the families of the staff.

10.4 Culture and Diversity
Venter and Boshoff (2007: 44) believe that organisational culture can determine the style of leadership. Leaders who are willing to learn and adopt various cultures find that resistance from employees becomes minimal. In organisations whose cultures are explicit and allow values and ideas to be clearly expressed and experienced by its members, a business can be managed effectively.

According to Patterson (2010:47) cultural differences can have a negative or positive influence on employees and their organisations. Cultural differences can be so powerful that they could sometimes incite employees to wage war against each other to protect and defend their cultures. Positive influences occur when culture supports the values and ideals of the organisation and when it promotes the desired performance of the organisation whilst negative influences occur when culture encourages ideas and behaviours that are counter to the organisation (Patterson, 2010:47).

11. Conclusion
In order to ensure the ongoing survival and success of any business, effective management practices and different approaches of leading must be applied. A small business is likely to face even greater threats for survival due to the increasing competitive thrust of the global environment. To meet the challenges and survive in a new world order, the appropriate leadership styles of management will, therefore, give an organisation the edge when operating in a globally diverse environment.

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