

Project on Positive Leadership Research Brief

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FAMILY BUSINESSES AS SOURCES OF POSITIVE LEADERSHIP IN OUR COMMUNITIES

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POSITIVE LEADERSHIP



The Importance of Positive Leadership

The well-being of any community occurs in part through the work of positive leaders. These individuals help create a culture that transmits positive values, encourages the growth of positive relationships, and tries to enhance the communication between different stakeholders (Cameron, 2013). Positive leadership is defined as a set of leader behaviors that result in followers experiencing positive emotions and engaging in positive behaviors (Kelloway et al., 2013). Positive leadership is essential during difficult times because it helps individuals develop positive feelings, which, in turn, enhance their performance and capability to succeed within an organization (Lyubomirsky et al., 2005; Staw & Barsade, 1993).

There has been a lot of academic and practical research dedicated to understanding positive leadership as a process, how it works, and how it influences the behavior of individuals within the organization. However, most of this work has centered on understanding leadership processes tied to an individual. This is misleading because leadership can occur in other forms. For example, a country can be seen as a leader in helping change an environment, or a group of individuals acting together can engage in leadership actions that positively affect an organization or a community. Thus, it is also essential to understand positive leadership actions initiated by a group or a level of an organization.

This project focused on understanding positive leadership at the organizational level—particularly the actions of family businesses within their communities. Family businesses are the most common form of organization worldwide and have an essential role in the economic growth of their communities (Miroshnychenko et al., 2020). Although family businesses are important actors within their communities, we know very little regarding:

1. How do family businesses engage in positive leadership?
2. How do they inspire family and non-family employees to help in their positive leadership efforts?

This research briefing summarizes a project conducted as part of the Rechter Fellows Program – Project on Positive Leadership at the University of Louisville. This project surveyed members of the University of Louisville Family Business Center to ask about their positive leadership behaviors within their organization and their community.

Family Businesses as Important Actors in Our Communities

Family businesses are organizations in which a family or a group of families have ownership and can make decisions about the strategic direction of the firm (Chua et al., 1999). They are a dominant form of enterprises worldwide, with estimates suggesting that two out of every three worldwide companies are family-owned. These organizations are unique because they are driven by a combination of financial and non-financial goals that make them behave differently than non-family firms. Like any organization, family businesses need to have good economic performance to be viable. However, many of their actions (i.e., philanthropy, ensuring wealth for the family, and continuity, to mention a few) are also driven by emotional reasons.

In the United States, family businesses contribute 54 percent of the GDP and provide 59 percent of the jobs in the workforce (Pieper et al., 2021). Additionally, the charitable giving from family foundations represents close to 33 percent of all charitable giving (Pharoah, 2008), mainly concentrated in the local areas where the family or the family firm are based (Breeze, 2009). Thus, family businesses substantially impact their communities through economic and non-economic actions.

Family Businesses in the Kentuckiana Region

This project focuses on the Kentuckiana region, a region in the United States formed by metropolitan areas with counties in both Kentucky and Indiana. It includes the Louisville metropolitan area and five counties in southern Indiana (i.e., Clark, Floyd, Harrison, Scott, and Washington). It is estimated that up to ninety-nine percent of the businesses in this region are small (i.e., less than 500 employees), and close to 80 percent of those are believed to be family-owned. However, there is no business census data to corroborate these numbers.

During 2020, the Kentuckiana region experienced great unrest that created a negative environment. The general pandemic and Breonna Taylor case dominated the community and

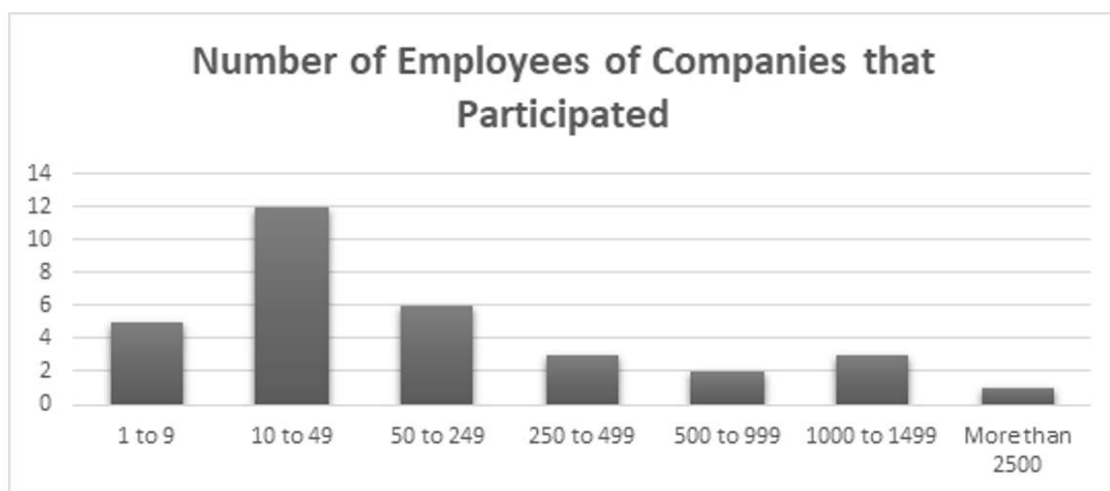
how the community was presented in the media. It is precisely during these times where positive leadership is essential. Thus, we developed a project to explore how family businesses engaged in positive leadership in the region. We were particularly interested in two forms of positive leadership. First, we were interested in what family businesses did to help the community around them. Second, we were interested in understanding how family businesses engaged in positive leadership within their organizations, particularly with their employees.

To collect this information, we surveyed the University of Louisville Family Business Center members. This center was established in 1993 as a research center, and in 2009 was reorganized as a membership center. The center has 92 members, including businesses and professional advisors. The center's purpose is to help business enterprises and their families succeed by developing community, educational programs, translation/dissemination of research, and advocating for the critical role of these businesses in the region.

Data used in this study was collected as part of the UofL Family Business Center's annual membership survey. The survey included questions on the demographic information of respondents and their businesses. These questions included respondents' experiences during the COVID-19 pandemic, their level of involvement with the community, and how they promoted the participation of employees in the community. We also include open-ended questions on how the respondents believed their family business made a difference in the lives of their employees and the community around them.

Thirty-two of the 92 members responded to the survey representing just under 35 percent of the membership. These respondents represented businesses that varied in size from 1 employee to more than 2500 employees, with 80 percent of the sample having less than 500 employees (See Figure 1 for a detailed description). They varied between 8 and 100 years of age.

Figure 1



Family Businesses as Positive Leaders

The UofL Family Business Center survey findings indicated that all the respondents in our sample have engaged with the Kentuckiana community in the last year. As seen in table 1, this engagement has come primarily through sponsorship and donation of time to volunteer. Thirty-four percent of the sample did this engagement through the business primarily, and sixty percent did it through a combination of engaging the family and the business. Finally, there were 52 different organizations in the community that the companies helped in our sample.

Table 1.

Type of engagement in the community	Percentage
Advisory Panel	27%
Volunteering	33%
Donating Money/Sponsorship	48%
Donating Time	29%
Donating Products/services	31%

When asked whether the company offered programs to help their employees engage with the community, 47 percent of the sample indicated that they also had programs to help their workforce engage with the community. Table 2 provides the percentages in each of the engagement areas.

An interesting observation in our data was that most of the family businesses that responded to our survey focused their efforts in the community on helping organizations that strengthen the family unit and help individuals build stronger relations with one another.

Table 2.

Type of engagement in the community	Percentage
Group volunteer	19%
Donation matching	11%
Allocated time to volunteer	25%
Cause drives within the company	23%

KEY TAKEAWAYS



Family businesses are more than employers and producers of goods and services. They are important actors in their communities through their work to help create a positive environment. Our observations through this survey provide some initial support for this vital role, as all companies engaged in some form of positive leadership with the community. This positive leadership was practiced either through the business or through a combination of family and business actions.

Family businesses are pillars within the communities that they do business. Woven into the fabric, they provide jobs and economic resources for their employees. As positive leaders, their impact extends beyond the economic impact of their businesses. By infusing resources into the broader community in which they belong, they can create a more profound sense of belonging and purpose by amplifying the positive contributions of the family business.

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