

# Why Women CEOs Offer Family Businesses an Entrepreneurial Advantage

Kimberly Eddleston (Northeastern University)

Franz Kellermanns (University of North Carolina – Charlotte)

**KEYWORDS:** Women, Strategic Entrepreneurship Journal, family business advice, Running a family business tips.

A CEO who supports entrepreneurship is important to both family and nonfamily business success. However, the need to remain entrepreneurial is especially important for family businesses because their traditions and family legacy can prevent them from taking a fresh look at opportunities. Encouraging an entrepreneurial orientation among employees helps family businesses position themselves for future growth.

Yet, because entrepreneurship is historically seen as a masculine endeavor, women leaders are often seen as disadvantaged in cultivating their business's entrepreneurship. But our study challenges this notion by demonstrating that women CEOs of family businesses are as effective, and sometimes more effective, than their male counterparts in transforming learning into entrepreneurship.

According to our research published in the Strategic Entrepreneurship Journal in October 2023, it is not male or female leadership *per se* that predicts a business's entrepreneurship, but rather, whether the male or female CEO is leading a family or nonfamily business. While women CEOs of family businesses were as effective as men leading family and nonfamily businesses in directing learning toward entrepreneurship, women CEOs of nonfamily businesses struggled. Our study therefore suggests that while women have an advantage leading family businesses, gender biases hamper female leaders' ability to transform learning into greater entrepreneurship in nonfamily businesses.

Gender stereotypes and the characterization of entrepreneurship as a male preserve seem to hamper female CEOs' ability to exert their leadership in nonfamily businesses. However, those biases appear to have less influence in family businesses due to their

organizational cultures emphasizing collaboration, inclusiveness, and being familial – characteristics typically associated with feminine styles of leadership. Our study therefore suggests that the alignment of women's leadership characteristics with family business culture offers them an advantage when leading family businesses.

## What We Studied

Along with our colleagues Remedios Hernández-Linares and María Concepcion Lopez-Fernández, we studied 322 Spanish small to medium-sized businesses (a mix of family firms and nonfamily firms), with women leaders in place at 20% of the companies in both groups. We looked at the firms' learning orientation and how these CEOs foster entrepreneurship, asking them to rate their firms in five entrepreneurial traits: risk-taking, innovation, proactiveness, competitiveness, and autonomy.

We found that the three dimensions of learning orientation – commitment to learning, shared vision, and open-mindedness – contributed to entrepreneurship in both family and nonfamily businesses. However, the ability to transform the sources of learning into entrepreneurship greatly varied between family and nonfamily businesses led by women versus men. In comparison to family businesses led by a man, women CEOs of family businesses were similarly capable of capitalizing on their firm's commitment to learning and significantly more capable than nonfamily businesses led by a man or woman. Additionally, family businesses led by a woman were the most effective in transforming open-mindedness into entrepreneurship. The starkest contrast was between women-led family and nonfamily businesses. Nonfamily businesses led by a woman reported the weakest connection between the learning

dimensions and entrepreneurship. Our research therefore contributes to what other research has found about women's entrepreneurship by demonstrating that the family business context provides an environment where women can leverage their strengths.

## Takeaways

Our research yields some important practical advice for family businesses, the women who are a part of them, nonfamily firms, and policymakers.

First of all, family businesses should remember that keeping an entrepreneurial orientation is essential to their future success, and choose leaders who can best encourage this. Resist the urge to automatically choose the first-born son and look at the candidate who can best encourage learning and channel it towards entrepreneurial thinking.

Additionally, our study also holds some lessons for nonfamily firms, especially where gender biases likely contribute to differences in their entrepreneurial behavior, growth, and performance. Our research and others' suggest that prejudice against women leaders decreases when the female gender role and leadership role requirements align (e.g., Hoyt & Burnette, 2013 (<https://onlinelibrary.wiley.com/doi/full/10.1002/sej.1482#sej1482-bib-0114>); Lemoine & Blum, 2021 (<https://onlinelibrary.wiley.com/doi/full/10.1002/sej.1482#sej1482-bib-0132>)). This means that women entrepreneurs in all kinds of businesses should look to build synergies between the feminine style of leadership and their organization's culture. They can demonstrate that entrepreneurship can be achieved not through aggressive behavior, but through showing empathy, creating a relationship-oriented culture, and improving employees' self-worth and cooperation. This increases the women leaders' own credibility and legitimacy with stakeholders by characterizing this behavior as communal, developmental, and cooperative.

Female leaders of family businesses can also serve as role models for female leaders of nonfamily businesses, offering guidance on how to build organizations that support female leadership. Finally, we hope that our research will encourage more family firms to shake their attachment to primogeniture by showing an alternative path to entrepreneurship, with women as the ideal leaders.

## Explore the Research

**Learning to be entrepreneurial: Do family firms gain more from female leadership than nonfamily firms?**

(<https://onlinelibrary.wiley.com/doi/full/10.1002/sej.1482>) Strategic Entrepreneurship Journal, October 2023

*EDITOR'S NOTE: This article was produced in partnership with Strategic Entrepreneurship Journal, a leading academic journal, as part of our effort to highlight actionable cutting-edge research on entrepreneurship.*