

What Nonfamily Managers Need From Family Firm Leaders

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Vision matters—but so does individualized consideration. This study shows nonfamily managers perform better when CEOs pair transformational leadership with genuine, personalized attention and political skill.

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Family firms are often portrayed as cohesive systems driven by strong family leadership. But what happens when these firms grow complex, operate across multiple business units, and rely heavily on nonfamily managers? After all, nonfamily employees oftentimes make up over 80% of the workforce of family firms. So, how can family leaders get the best out of nonfamily managers?

The answer lies in transformational leadership—a distinct style of leadership that attempts to understand, attend to, and satisfy the interests, needs, and concerns of their followers. According to research, transformational leaders are skilled at nurturing and nudging employees to pursue collective (not personal) goals and work beyond what is implied in their work contracts. Family business research shows that a transformational family Chief Executive Officer (CEO) reinforces family identification, which minimizes conflicts among family generations, closely tying family members

together (Davis & Harveston, 1999; Eddleston, 2008). The transformational family CEO reinforces family members' commitment to the family and business, further strengthening their stewardship. But what about nonfamily employees?

Drawing on a large-scale study of multi-unit family firms in Taiwan, we uncovered something quite interesting:

- Transformational family CEOs positively influence the performance of business units led by nonfamily managers.
- But that influence is not automatic. It depends on how it is exercised, and this depends on the family CEOs having high political skill—being especially adept at handling nuance and adept at integrating contextual factors into their interactions with people, individually and collectively. Political skill means being able to build effective relationships, communicate effectively, demonstrate sincerity, exhibit situational awareness, and work well at internal networking.
- When family CEOs combine transformational leadership with high political skill, they are far more effective in fostering entrepreneurship at the business-unit level and, ultimately, stronger financial performance.

In short, leadership style matters, but leadership capability matters even more: politically skilled transformational family CEOs get the best out of nonfamily business unit managers.

What We Studied

Our study drew on data collected in two stages from both family and nonfamily firms operating in Taiwan's mechanical, electrical, and semiconductor sectors. These industries represent a major share of Taiwan's economy, accounting for nearly 38% of total employment and one-quarter of all private firms. They also invest more than 6 million USD annually in innovation, with family-owned firms making up roughly 80% of the sector.

To ensure we captured insights from those closest to organizational practices, CEOs appointed key functional managers—such as HR leaders—to participate and help distribute the survey within their firms. In total, surveys were sent to 616 business units across 244 family firms. We received responses from 1,232 headquarters-level managers and 2,464 business unit managers.

After removing incomplete responses, the final dataset includes input from 480 nonfamily top management team members across 97 family firms and 960 nonfamily managers from 240 business units, resulting in an overall response rate of 38.96%.

We also collected data from nonfamily firms. Surveys were distributed to 180 business units across 90 firms, reaching 180 headquarters-level managers and 360 business unit managers. After removing 176 incomplete responses, the final nonfamily sample includes feedback from 160 top management team members across 80 firms and 204 business unit managers from 102 units. This represents a response rate of 53.68%.

What We Found

Our results show that transformational family CEOs have a positive impact on the performance of business units led by nonfamily managers. In other words, their leadership style meaningfully shapes how nonfamily managers behave and perform. However, the strength of this influence depends on the CEO's political skill. When transformational family CEOs are politically skilled, their ability to boost a unit's propensity for entrepreneurial behavior (an entrepreneurial orientation) activity and financial results is significantly stronger. We also find that entrepreneurial orientation serves as a key mechanism linking transformational leadership to business unit financial performance—especially when the CEO demonstrates high political skill.

Key Takeaways for Family Business

Owners, Leaders and Advisers

Our work shows just how far family leadership travels across organizational boundaries and highlights the often-overlooked role of nonfamily managers in family firm success. Here are our suggestions for what family owners, leaders, and their advisers should do next:

1. Transformational leadership strengthens nonfamily manager commitment.

- Family CEOs who articulate a clear vision, purpose, and direction can positively shape nonfamily managers' behavior and performance.
- A well-designed structure, supportive processes, and a culture of trusted autonomy empower nonfamily managers to act entrepreneurially.

2. Individualized consideration is essential—not optional.

- Understanding the needs, concerns, and motivations of nonfamily managers builds trust and signals genuine care.
- This personalized attention fosters reciprocal commitment to both family and business goals.
- It also reduces the danger that nonfamily managers perceive unfairness, unequal treatment, or unchecked family-member behavior.

3. Transformational family CEOs are catalysts for entrepreneurial orientation (EO).

- Nonfamily managers adopt entrepreneurial thinking when the CEO champions commitment, capability, and aspiration for innovation at the business-unit level.
- The CEO must actively create conditions where experimentation, creativity, and entrepreneurial behavior can thrive.

4. Political skill is the multiplier that makes transformational leadership work.

- Family CEOs must cultivate: Relationship-building, clear and sincere communication, situational awareness, and internal networking.
- These skills help align nonfamily managers with family goals and reduce perceptions of favoritism.

5. Politically skilled transformational leaders reduce the “us versus them” divide.

- Nonfamily managers often lack emotional ties with the family and may default to self-interest when they sense unequal treatment. Politically skilled CEOs bridge this gap, creating convergence around shared goals and strengthening business-unit performance.

Watch a Video Summary

To help family leaders, managers, and advisors get the most out of our research, we explain all this and more in this short, informative video:

[Link to video](#)

Explore The Research

Hughes, M., Chang, Y.-Y., Hu, Q., De Massis, A., & Kraus, S. (2026). Transformational Family Leaders in Multi-Unit Complex Family Firms: A Multilevel Analysis. *Entrepreneurship Theory and Practice*, (https://journals.sagepub.com/doi/10.1177/10422587251406313) *Entrepreneurship Theory and Practice*, in press.

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