

Firm But Flexible Parents Raise the Best Family Business Leaders

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In their aim to raise the next generation of family business leaders, parents often question if their parenting style is effective. They often ask themselves: Am I being too lenient or too strict? Am I fostering a sense of responsibility or entitlement? Will my child become an effective CEO of our company, despite my mistakes? And for those watching their child lead the family firm, they often question if their parenting style explains their strengths and weaknesses. In fact, when giving workshops to family business stakeholders, one of the most common questions is: How should I be raising my children to effectively lead the family business?

With this in mind, we sought to understand how parenting styles contribute to the success of family business CEOs. Our research clearly showed that parenting matters in raising effective family business CEOs and thus, the family can never start too early in preparing their sons and daughters for leadership. According to our recent study, which included surveys and interviews of family business CEOs and their employees, the best outcomes occur when parents have firm, consistent rules and consequences, but also show emotional responsiveness and respect for their children's individuality. These parents raise leaders who inspire employees to go above and beyond the call of duty. In contrast, less effective parenting styles often encourage a sense of entitlement or feelings of inadequacy among successor CEOs.

Nurture Over Nature

Countless psychological studies have explored how parents shape a child's ability to persevere, take responsibility, and get along with others. Although genetics certainly contribute to an individual's personality and psychological well-being, biology only tells a portion of the story. Research is increasingly

showing that a person's upbringing and home environment play a more significant role, thus emphasizing the power of "nurture" over "nature" in explaining individual differences. Family business scholars have also looked at various aspects of how childhood experiences affect the next generation: whether they decide to join the family business, whether they feel torn between the business and the family, and whether their parents serve as role models.

We wanted to build on this research by identifying the type of parenting style that is most beneficial in helping the next generation bring their best attitudes and commitment to the family business leadership role -- rather than a sense of entitlement or self-doubt, which can be toxic for the business environment. Leveraging research on parenting styles, we sought to go beyond prior research on the positive impact of "good" parenting by explaining how specific styles affect successors' psychological functioning as CEO. Our study also moves beyond the succession literature's focus on successor choice and succession planning by linking conditions prior to succession to outcomes after the baton has passed. Knowledge about the long-term impact of parenting on family businesses is important because such knowledge could guide parenting decisions among family business owners who desire transgenerational leadership.

We studied these three types of parenting styles that differ based on parents' commitment to and balance of demandingness (i.e., rules, punishment, and conformity) and responsiveness (i.e., warmth, acknowledgment, and autonomy):

Authoritative ("Balanced") parents have high expectations for their children but also give them freedom to express their individuality and communicate

their needs respectfully. They use positive and negative reinforcement effectively and provide clear rules that make sense to the child. Authoritative parents also display a high degree of support and acceptance and promote dialogue and discussion within the family. One of our interviewees noted: “My parents were strict, although I would say that both my father and mother had a tender side to their personalities. They were very ‘do it yourself’ and ‘do it as best you can’ kind of encouraging parents.” Children with these parents tend to be well-adjusted, confident, and responsible.

Authoritarian (“Disciplinarian”) parents are also highly demanding of their children but usually disregard their opinions, their desire to make their own decisions or their needs for individuality. These parents value respect for authority, work, order, and structure but do not support experimentation or independent decision-making. One respondent explained: “At home we were very respectful and obedient of our parents and never dared question them when asked to do anything.” Children with these parents tend to be anxious, less confident, and obedient.

Permissive (“Indulgent”) parents are very responsive and supportive of their children, but they are not demanding. They offer a high degree of freedom with little discipline. These parents seek to indulge children either out of guilt or love, so children do not learn appropriate self-regulation or how to delay gratification. “My mom has an easy-going attitude towards us. As much as it has been nice to do whatever we want and when we want, I feel like there was sometimes a lack of push,” an interviewee noted. Children with these parents tend to be less mature, over-confident, and less responsible.

Our Study

We sought to identify which parenting style would develop family business leaders who can best model and encourage “organizational citizenship behavior” among their employees. In other words, what type of parenting style develops leaders who inspire employees to be helpful, cooperative, loyal, and to go above and beyond what their job description requires? We also wanted to explore which parenting style would create leaders who are overly controlling, who don’t feel confident on the job (“impostor phenomenon”) or who encourage counterproductive work behaviors among their employees, such as being unethical, lazy, or fighting with colleagues.

Our study includes surveys from 119 successors serving as the CEO of their family’s transgenerational business as well as responses from 145 employees who worked directly with the CEOs. We asked the CEOs to fill out an adapted version of a Parental Authority Questionnaire, a common psychological test that gauges whether their parents were strict, lenient, or somewhere in between, and their emotional responsiveness to the children’s needs.

We also asked the CEO successors questions about their psychological functioning: how they feel about compliments from colleagues, whether their social relationships were satisfactory, and whether they felt they were entitled to their leadership role. A separate survey of employees who worked directly for the family business CEOs gauged their attitudes towards helping co-workers, showing up on time, giving the job their best, and their tendency to display workplace counterproductive behaviors such as hostility toward coworkers, social loafing, and deviance.

Along with these surveys, we gained insight from 24 young adults in an undergraduate class for next-generation family business leaders. We asked them to interview their elders about how their own parenting affected their attitudes towards their leadership role and how they treated employees in their family business. The interviews were done anonymously to ensure candor.

What We Found

We found that the children of authoritative parents, who combined flexibility and emotional responsiveness with high standards, fared the best as family business leaders. They experienced higher psychological well-being, which enabled them to focus on employees’ well-being and professional growth. This resulted in employees who went above and beyond what their job required and who refrained from counterproductive work behavior. One interviewee, who described his parents as “strict but supportive,” said this translated to how he managed his employees: “We are a family, and when they need help we will be there, and when we need help so will they.”

Children of authoritarian parents, who were demanding but not responsive to their children’s needs, had mixed results. While some had high levels of psychological well-being, many also felt entitled to the top role and had trouble connecting with their employees. “The

authoritarian upbringing leads to being tough but a lack of empathy,” one respondent said. “This made me able to succeed even when things got really hard but also has made it difficult for me in the past to feel for someone that is struggling emotionally.” Other respondents suffered from impostor phenomenon, feeling unable to measure up to their parents’ high expectations or that they didn’t really earn or deserve their position. This affected their ability to govern others and demand high standards from employees.

Fairing the worst of all were CEO successors raised by permissive parents. Many of them felt their parents were never there for them because of the demands of the business. Their sense of entitlement was high and they were inwardly focused, unable to model the citizenship behavior that would inspire others. This created a toxic work environment. Some in this group were overly controlling of their fellow employees and drove them away. “People leave and tell me it is because I demand too much,” one respondent said. Another respondent remarked: “I would say I have a tendency to procrastinate and so having a parent who was more involved with higher expectations and pushing me could have helped me be a stronger leader.”

Takeaways

Our study stresses the importance of parenting to family business success and why it is never too early to think about how the next generation of leaders should be raised. It also suggests that the way successors are raised explains why some become incredibly successful and inspiring CEOs, while others never rise to the challenge, and others give off a sense of entitlement that harms employee morale.

- Parenting styles cast a long shadow on family businesses. The demands of running an entrepreneurial enterprise are so intense that it’s sometimes easier for leaders to have either authoritarian (“I don’t have time to be emotionally responsive”) or permissive (“I don’t have time to set limits”) styles toward raising their children. Having the optimum authoritative and balanced approach is far harder because it requires greater thought and introspection, but as our study shows, it has beneficial consequences that have long lasting effects on family business leaders and in turn, the business’s employees.
- Current family business leaders may want to

reflect on their own upbringing and how it has influenced their interactions with employees and family members. Unsure of your parents’ style, or your own? A test can be found [here](https://www.psychologytoday.com/us/tests/personality/parenting-style-test) (https://www.psychologytoday.com/us/tests/personality/parenting-style-test) .

- To raise responsible future leaders of the family business, consider learning more about authoritative parenting and what it involves. Take the time to think about what you can change to incorporate it into your own approach to parenting. That time will be a good investment in both your children’s future happiness and your business’s future health.
- Finally, few parents are perfect. If you now realize that your parent’s style was less than optimum, or that you as a parent could have been more authoritative, you should instead focus on the strengths that came with the parenting style. For example, children of permissive parents are often creative and comfortable with ambiguity, while those raised in authoritarian households tend to have high self-control and goals for achievement. Thus, try to foster these positive traits and work to overcome the negative ones like low self-esteem and a sense of entitlement.

Explore the Research

[Parenting the Successor: It Starts at Home and Leaves an Enduring Impact on the Family Business](https://journals.sagepub.com/doi/abs/10.1177/10422587221088772?journalCode=etpb) (https://journals.sagepub.com/doi/abs/10.1177/10422587221088772?journalCode=etpb) . Kristen K. Shanine, Kristen Madison, James G. Combs and Kimberly A. Eddleston. *Entrepreneurship Theory and Practice*, April 2022.