

The Impact of Relationships on Knowledge and Leadership in Family Firms in the 21st Century

Agnieszka Rzepka and Magdalena Czerwińska

Department of Economics and Economic Management, Management Faculty, Lublin University of Technology, Lublin, Poland

a.rzepka@pollub.pl

m.czerwinska@pollub.pl

Abstract: Intellectual capital reflects the knowledge and thinking capacity that a particular company can use to achieve benefits (Muslih, 2021). It is often identified with organizational capital (Beltramo, 2020). At the same time, the significance of a human is to intellectual capital resources is often emphasized (Dessein & Pratt, 2022; Ozgun, 2022). Interactions between employees within an organization, as well as between employees and the environment, are of significant importance. Relations of this kind are even considered relational capital (Zhang, 2022). Family firms are pervasive organizations (Calabrò, et al., 2019) in all economies worldwide, and evidence shows that the presence of family in a business impacts the firm under wide range of circumstances. Innovation is a prominent one of them, and this study examines the way families affect innovation antecedents, activities, and outcomes. Research has shown that even though organizations expect leaders to have new skills, they still largely promote traditional models and mindsets. The authors draw on their study conducted over the last five years. The study is part of a larger research project. The research comprised four stages, with the number of enterprises surveyed in stage 1 being N=605. The results demonstrate the significant potential of this type of work and the numerous research gaps that remain for future exploration. Organizations should develop their leaders' skills and evaluate leadership in a way that allows them to successfully navigate ambiguity, take responsibility for handling rapid change, and engage with external and internal stakeholders. There is therefore an obvious gap between what organizations should do to support 21st-century leaders and what is currently happening. Today, 21st century leaders of the must adopt an agile approach to leadership and management, be proactive, and look for opportunities that will allow them and their teams to grow and develop.

Keywords: Leadership, Family Firm, Knowledge, Intellectual Capital, Inter-Organization Relations

1. Introduction

Inter-organizational relations between independent entities are now considered one of the key development trends in modern mechanisms for creating the competitiveness of enterprises (Arzubiaga, et al., 2018).

Management science and organizational theory contain a variety of concepts that underline the growing importance of inter-organizational cooperation (including, for instance, coopetition, network governance, and project management). There are also articles devoted to new organisational structures such as clusters, partnerships, networks, and alliances.

When examining the concept of interorganizational relations (Rzepka, 2023), it is imperative to emphasize the necessity of shaping connections between individual links according to the principles of trust and the division of risk and benefits. Relationships of this nature lead to additional synergistic effects and, as a result, a competitive advantage (Witkowski 2003).

At present, interorganizational relations are considered an increasingly important source of competitive advantages and profitable results (Grandor, 2012; Dyer et al., 1998). In this regard, interorganizational relations can be interpreted as a multi-subject action that is designed to achieve mutually consistent goals (Möller & Svahn, 2003).

1.1 The Role of Human Capital in Relationships Among Companies

Not only do properly shaped inter-organizational relationships provide access to valuable resources in the form of human capital, but they are also conducive to the creation, connection, and sharing of resources, as well as the acquisition of values for those involved in the arrangement. According to some managers, "as long as the value is being generated, everything in the relationship remains satisfactory" (Ritter, 2008).

Undoubtedly, the success of any modern enterprise depends largely on how its relationships with others are handled (Skalik, 2006). Hence, enormous importance is placed on the role and activity of the executive team, employees, and teams that are willing to collaborate with external entities. A significant role in the company's development is assigned to human capital that uses its own competence, intellectual ability, motivation, and

abilities to perform certain organizational roles, including the development of inter-organizational relationships (Vesperi, et al, 2023). Relationships (Bouazzaoui, et al., 2020) with customers, suppliers, competitors, and other stakeholders are built by the company's employees. It should be kept in mind that structural capital is formed through human capital, among other elements. It includes new products, patents, licenses, software, technologies, and relational capital (i.e., reputation, customer loyalty, and strong relationships with stakeholders) (Jackson & Dunn-Jensen, 2021).

Ability and competence, especially relational competencies associated with the use of knowledge, skills, abilities, and attitudes in the area of cooperation, are particularly important in the evolution of relationships (Rzepka, 2017). The creation of relational capital is supported by direct and personal contacts (links) of employees and executives with stakeholders, which are based on the ability to collaborate, on the capacity trust others, and on one's own credibility and one's core competencies. It is created on the basis of relational (Daghar et al., 2021) resources that are formed between the company and external stakeholders. It is a consequence of establishing appropriate relationships with customers, distributors, suppliers, and other entities that the company interacts with.

Relational capital could determine the efficacy of the company's affairs and its market success, both from a static perspective (seen as a resource associated with interpersonal relations) and from a dynamic perspective (seen as the ability to create and maintain close and lasting relationships based on trust and collaboration). Relational capital is created on the basis of inter-organizational relationships that involve employees as well as management (Versiani et al., 2021). It cannot function as a separate phenomenon, but it exists only in relation to human and structural capital, both of which create intellectual capital. In contrast to structural capital that remains the company's property, relational capital is described as difficult to manage and control. This belief stems mostly from the particular characteristics of this kind of capital as it takes an intangible form that is hard to describe, quantify, and measure.

The relationships between the collaborating entities are unique and unrepeatable. This is attributable to the specific arrangements between the parties. Hence, a possible acquisition or replication of such relationships by other rival entities may lead to a number of hindrances.

As strong bonds between the entities involved in the relationship form and develop, they result in a flow of knowledge and information (Kellermanns et al. 2012). And this, in turn, results in the creation of a new range of products or innovations that foster the development of value.

The relations between the parties are fortified by dynamic changes in the environment as they lead to greater flexibility in the organization's activities in the area of problem-solving and decision-making by involving the organization's own competences and those of other entities'. The transfer of knowledge is carried out through the means of human and relational capital, whereas the acquisition, maintenance, and renewal of resources necessary to create structural capital are carried out through the means of relationships.

Those involved in a relationship must identify variables prior to, during, and at the end of the relationship. These variables tend to be found in the areas associated with benefits and costs that arise as a result of the collaboration. Such values as trust and honesty, respect, openness, and clear rules of communication play an important role in the formation of inter-organizational relationships pertaining to human capital. Moreover, the evolution of the criteria for determining value indicates that the non-material criteria are becoming increasingly important, which stems from the growing complexity of economic interactions. Therefore, the determination of value is burdened with a constantly growing level of subjectivity and uncertainty.

1.2 Family Business

Family firms are the most predominant form of business organization and account for a large proportion of employment, business turnover, and gross domestic product (Bjuggren, Johansson, & Sjögren, 2011). The involvement of families in firms' ownership, management, and governance is a key driver of organizational attitudes (Bennedsen & Foss, 2015), behaviors, and performances, especially those related to innovation. Since the beginning of the 21st century, academic interest in innovation within family companies has bloomed. This body of research has mostly emerged from family firm scholars, while mainstream innovation scholars have often overlooked family-related variables in their studies. Indeed, innovation is one of the main components of research on family firms that integrates family and business aspects and leads to a plethora of occasionally contradictory findings.

Family firms serve as a unique setting for research because of the simultaneous existence of two fundamental sociological systems: the family and the business (Holt et al., 2018). Family ownership is the most prevalent type of business ownership worldwide (La Porta et al., 1999). Not only are the vast majority of small- and medium-sized firms family owned and managed, but large public firms are often controlled by families. Conceptually, what constitutes a family business is the subject of great debate in research on family businesses (Daspit et al., 2021).

For the purpose of this study, a family firm is conceived according to the most comprehensive and reputable definition by Chua, Chrisman, and Sharma (1999), where the family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition that is controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families. This definition helps distinguish family from nonfamily firms. Research on family businesses seeks to understand family firms in order to provide recommendations and/or frameworks to guide professionals to improve their performance, accelerate their development, and ensure their business' sustainability in the long run (Miller & Le Breton-Miller, 2005). Innovation is a means to stay relevant and competitive in the market. Thus, developing knowledge about family firm-generated innovation can help family firms thrive, thereby contributing to global economic prosperity.

2. Methods

The empirical aspect of this study is founded upon a structured investigation that forms part of an international project entitled *Teal Organizations in Economy 4.0*. The project was conducted across countries such as Poland, England, Hungary, Ukraine, the Czech Republic, Spain, Georgia, and the USA, focusing on the management personnel. The procedure for conducting research encompassed three stages: a pilot study in 2020, a foundational study in 2021, and subsequent follow-up studies in 2022 and 2023. The study included management personnel from a variety of small and medium-sized enterprises (SMEs) of varying size and spanning various geographical scopes. The selection of companies was based on the availability of SMEs, and the research was carried out by using a certified research platform.

This article focuses specifically on the 2022 study, which collected a total of 620 surveys (two rounds of 310 surveys) through a nationwide research platform. The primary data collection tool was a proprietary questionnaire, which was distributed in accordance with CAWI (Computer-Assisted Web Interviewing) technology standards. The survey was broken down into topics related to organizational leadership, innovation, and technologies implemented by the businesses participating in the study. These included existing relationships, agility and creativity, social capital, knowledge and information, trust, structure, and organizational culture. The research was and will continue to be conducted in accordance with the OECD-DAL (Organization for Economic Co-operation and Development: Definition and Selection of Competencies) recommendations.

A variety of methods, including data analysis, in-depth individual interviews, and a questionnaire, were used to gain a comprehensive understanding of the subject matter under investigation. This three-dimensional approach facilitated a comprehensive study of the phenomenon. The questionnaire was divided into five sections, each with 5 to 7 questions addressing a different topic.

The study's primary goal was to determine whether a family-owned organization is not only innovative but also capable of generating, implementing, and disseminating innovation. Furthermore, the study's hypothesis posited that the ability of a family-owned innovative organization to create an atmosphere that encourages learning and idea generation influences how well the organization functions. The study also aimed to show that a leader's role in creating and managing an organization is to cultivate a suitable organizational culture, with knowledge, transparency, and good communication between staff members and the outside world being essential components. Ultimately, the study aimed to ascertain the traits and elements—such as courage, honesty, and intuition—that impact the preservation of sustainability within companies.

The chosen method of statistical analysis was the use of the χ^2 test, Pearson's Chi-square test for independence. The statistical analysis of the data obtained from the surveys was performed by means of SPSS STATISTICS 21 computer software.

The range of activities carried out by study participants is displayed in Table 1, along with information about the study's geographical reach, workforce size, and industry representation.

Table 1: Characteristics of enterprises

Dominant modus operandi of the company (%)		Geographic scope of activity (%)		Number of employees (%)		Industry (%)	
Commercial	16.6	Local	9.4	0-9	3.3	Aircraft	5.3
Production	28.0	Regional	27.3	10-49	55.1	Fuel market	4.0
Service	55.4	National	22.0	50-249	16.6	Car industry	3.8
		International	41.3	250-999	16.6	IT	11.4
				1000 -and over	8.4	Education	3.8
						Research and development	4.0
						Gastronomy	5.2
						Construction industry	5.3
						Trade	3.4
						Banking sector	10.0
						Other	43.8

Source: own study based on research by A. Rzepka

The table indicates that the majority of the study's participants were men who held managerial positions (57.9%) in service businesses (62.7 and 75.8%), with a workforce consisting of 50–249 workers (28.3%) and a global reach (42.5%). The respondents were predominantly from the banking, construction, and aviation industries (column 4, table 1). It can be demonstrated, based on the study's hypotheses, that the research's base model (Rzepka A.) includes variables influencing every dependency.

3. Results

The study's results shed light on the complex dynamics within family businesses as they endeavor to make well-informed and sustainable decisions while balancing the need for intuition in their strategic choices. It becomes obvious that family firms seeking to integrate sustainability into their strategies often confront various challenges that result from the interplay between tradition and innovation. These challenges encompass generational disparities in values and perspectives, resistance to change within the family, and the crucial necessity of establishing effective communication channels that span both personal and professional spheres.

Table 2: Statements regarding a company leader

	I strongly disagree	I disagree	Hard to say	I agree	I strongly agree
In relations with subordinates, a good leader should strive to shape their independent thinking and responsibility for their actions	1.0	2.1	18.0	44.2	34.7
Vision is a characteristic of a good leader that unites and inspires the team to act	0.6	3.4	19.1	38.9	37.9
Humility is a characteristic of a good leader, thanks to which they have the ability to acknowledge they have been wrong	0.3	3.2	18.6	42.9	34.9

Source: a study based on Agnieszka Rzepka's research

As shown in Table 1, over 70% of respondents agree with the qualities of a good leader, i.e., vision, inspiring teams to act (38.9% and 37.9%, respectively). Similarly, regarding humility (i.e., good leaders should admit when they are wrong), more than 76% of respondents agreed with the statement (columns 4 and 5). Good leaders know, appreciate, and respect their colleagues; they motivate them to do fruitful work, show support during times of difficulty, and have all the prerequisites needed to manage a team effectively. Leaders have specialist skills such as knowledge and professional qualifications, innovative skills, creativity, and analytical thinking (Rzepka 2023). However, the most important characteristics are interpersonal skills related to team building. A leader with all the qualifications to manage but who cannot communicate with the group will not succeed. According to my research, the effectiveness of a leader also depends on having skills that can be learned and constantly improved, regardless of one's predispositions. The leader should master social skills in effective team building and leading, i.e., the ability to communicate effectively, listen actively, provide feedback, motivate to achieve goals, have a positive self-presentation, solve problems, and exhibit assertive behavior. An effective leader should also be a visionary, an entrepreneur, an initiator, and a person open to spontaneous changes.

The research revealed that the integration of familial and commercial interests in these businesses can present complex difficulties. The management of personal biases and conflicts of interest, accountability and

transparency issues, and other factors were identified as potential obstacles to the effective integration of sustainability into strategic decision-making processes. This underscores the need for a holistic and forward-thinking approach by leaders in family businesses, that respects the past while harnessing the power of sustainability to ensure the enduring success of both the family and the business.

The research findings also align with the global trend of leadership in the 21st century, moving towards sustainability as a central imperative. Successful leaders understand that, although crucial, their responsibilities cannot be limited to generating profits. Sustainable leadership demands a deep commitment to environmental stewardship and ethical governance. Those advocating for sustainability concentrate on the long-term financial health of their companies as well as achieving a lasting and beneficial effect on the environment and society. They understand that environmentally responsible business practices are not only ethically justifiable but also a source of innovation, resilience, and competitive advantage. Consequently, sustainability emerges as a guiding principle to inform decision-making in family businesses and compels them to approach the matter from a forward-thinking and eco-conscious perspective.

4. Conclusion and Discussion

Today, organizational change refers to the transition of an organization from one state of affairs to another. Every company must embrace organizational change if it wants to remain competitive. If done correctly, organizational change can turn any company into a more competitive, efficient, and better place to work. However, organizational change is not easy.

The study points out the evolving nature of decision-making within family businesses in response to advancing technology and changing business landscapes. While data-driven decision-making remains essential, there is a growing acceptance of intuition-based decision-making approaches. These instinct-driven approaches correspond to the importance of agility and flexibility in today's fast-paced business world. The findings suggest that intuition, which is often based on experience and industry knowledge, should complement empirical data in decision-making processes. In their pursuit of sustainability, family businesses should adopt a hybrid approach, leveraging both intuition and data to respond to evolving consumer preferences for environmentally responsible products.

Understanding the fundamentals of relationships and capital, as well as how businesses use them (Rzepka, 2017), can help businesses manage their resources more effectively and control how appealing they are to investors. In particular, the obtained results make it necessary to construct a measurement model to assess the use of these relationships and capital, for example, by companies of various sizes, various sectors, managers, and rank-and-file employees. When making this kind of research model, it is important to make sure that it can be changed to fit a smaller group of indicators that show how these interorganizational relationships and intellectual capital work in order to give a true picture of how much of each is present in businesses.

The collaboration of enterprises in creating interorganizational relationships and their impact on their ability to innovate is a phenomenon that is becoming more and more apparent in the area of shaping intellectual capital in changing environments.

As technology continues to advance and the business environment continues to undergo transformation, there is a growing willingness within family businesses to make decisions based on instinct. As observed in contemporary management practices, instinct-driven approaches to decision-making have been gaining scientific ground for some time now. This change is a turn toward more agility and flexibility, which fits better with the needs of today's fast-paced business world. While data-driven decisions undeniably offer advantages, the intrinsic value of intuition and experience should not be underestimated. Conversely, it is important to recognize that instinct should not supplant data and analytics entirely. Instead, family businesses should take a complementary approach when seeking to be sustainable, using both intuition and empirical data to answer changing consumer preferences for environmentally responsible products.

Family firms are pervasive organizations in all economies worldwide, and evidence shows that the presence of the family in the business affects the firm in a wide range of circumstances. Innovation is a prominent one, and this study has examined how the family influences innovation antecedents, activities, and outcomes. The purpose of the framework is to synthesize the current understanding of family firm innovation and leadership and identify future directions that require further academic attention to deepen and extend knowledge about this crucial phenomenon.

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