FAMILY BUSINESS REVIEW

Research Applied: *FBR* Précis for *FFI Practitioner*

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From *FFI Practitioner*

How do the personalities differ between family and nonfamily CEOs and what impact could this difference have on the performance of family businesses? In this week's edition, Kim Schneider Malek reexamines the popular argument about family and nonfamily CEOs through her précis of "CEO Personality: A Different Perspective on the Nonfamily Versus Family CEO Debate," an article appearing the March 2019 issue of *FBR*.

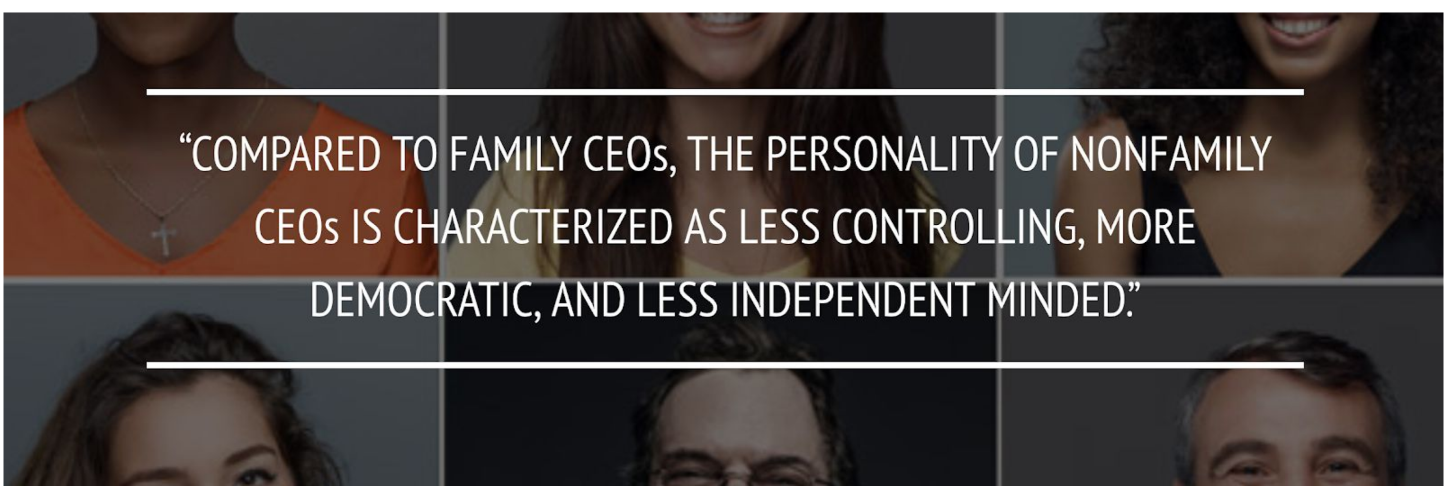
Upper echelon leadership, especially that of the chief executive officer (CEO), is imperative to organizational health, success, growth, and survival. In many family firms, the CEO role is commonly held by a family member for several generations.

Often, the selection criteria are based on the founder, practicing *primo geniture*, being the chosen family member allegedly possessing the greatest amount of expertise relative to others in the limited family talent pool, and/or simply by the owners defaulting to a family CEO, under the assumption that he or she is the better alternative. Yet, as family firms strive to find leadership that helps them achieve continuity through competitiveness in the current-day marketplace, they might find themselves necessarily or voluntarily depending on the contributory talent and personality of a nonfamily CEO to achieve their goals. The popular debate about family and nonfamily CEOs then ensues.

Ownership families, practitioners, and researchers are beginning to seek ways to understand more clearly what the differences are between nonfamily and family CEOs and to explore the concrete impact they have on firm performance. Prior research has found that the strategy and success of the family firm critically depends on the leadership behavior of the firm's CEO (Hambrick, 2007; Peterson, Smith, Martorana, & Owens, 2003). The right person in this position is of utmost importance.

There are many constructs that explain CEO influences on firm performance but one that merits much greater attention in the field of family enterprise overall is that of personality. According to Oxford Dictionary, personality is defined as: *The combination of characteristics or qualities that form an individual's distinctive character*. In this article's context, personality is also reflective of a person's tendencies or preferred ways of behaving, thinking, feeling, influencing, and relating.

Over the years, some research has been conducted on general CEO personality, but little research has been conducted on the difference between nonfamily CEOs and family CEOs. In their Family Business Review article "CEO Personality: A Different Perspective on Nonfamily Versus Family CEO Debate," the authors (Ruveyda Kelleci, Frank Lambrechts, Wim Voordeckers, and Jolien Huybrechts) strive to contribute to the CEO personality research specific to family firms by looking at *leadership behaviors* of firm CEOs. Their goal is to examine deeper constructs, one being personality, that explain CEO behavior. Their findings benefit the practitioners and family firm members in search of insight that will help predict how CEO personality and behavior possibly impact performance.



The questions they aim to address in their research are:

1. "How are nonfamily CEOs and family CEOs different in terms of their personality?"
2. "How do the personality traits of nonfamily CEOs and family CEOs relate to family firm *financial* performance?"

The research conducted to answer these questions was based on an internationally recognized personality insight tool called Occupational Personality Questionnaire (OPQ). This framed the researchers' data gathering and organized the structure for building their hypothesis. They assessed the OPQ's 32 personality traits, and then they categorized their data into these three broad OPQ categories: Relationships with people, thinking styles, and feelings and emotions. Their study consisted of 44 privately-held, family-controlled firms (25 with nonfamily CEOs and 19 with family CEOs) in Belgium.

The framework of the study follows:

1. The first part of the study was based on looking at psychological attributes, namely personality traits, that drive CEO behavior and better explain differences between both types of CEOs (nonfamily and family).
2. The second part of the study articulated differences in personality of nonfamily and family CEOs.
3. The third part extended the evolving upper echelons theory into a context with a peculiar ownership structure by examining CEO personality specifically in private family firms. (Upper echelons theory is a management theory, published by Donald C Hamrick and P. Mason in 1984, stating that organizational outcomes are partially predicted by the experiences, values, and personalities of the top-level management team executives. These characteristics greatly influence how the executives interpret situations they face and, in turn, affect the choices they make and the influence they have on several organizational dimensions such as strategy, innovation, and, ultimately, firm performance.)
4. Lastly, they formulated general implications for upper echelons theory.

The findings of the study included four hypotheses posed within the framework of the OPQ. These are:

1. Compared to family CEOs, the personality of nonfamily CEOs is characterized as less controlling, more democratic, and less independent minded.
2. Compared to family CEOs, the personality of nonfamily CEOs is characterized as more detail conscious, more data rational, forward thinking, and more behavioral.
3. Compared to family CEOs, the personality of nonfamily CEOs is characterized as more relaxed, less worrying, and more trusting.
4. Family and nonfamily personalities are differently associated with firm financial performance.

Sidebar

"CEO Personality: A Different Perspective on the Nonfamily Versus Family CEO Debate"

by Ruveyda Kelleci, Frank Lambrechts, Wim Voordeckers, and Jolien Huybrechts

This article appears in the March 2019 edition of Family Business Review

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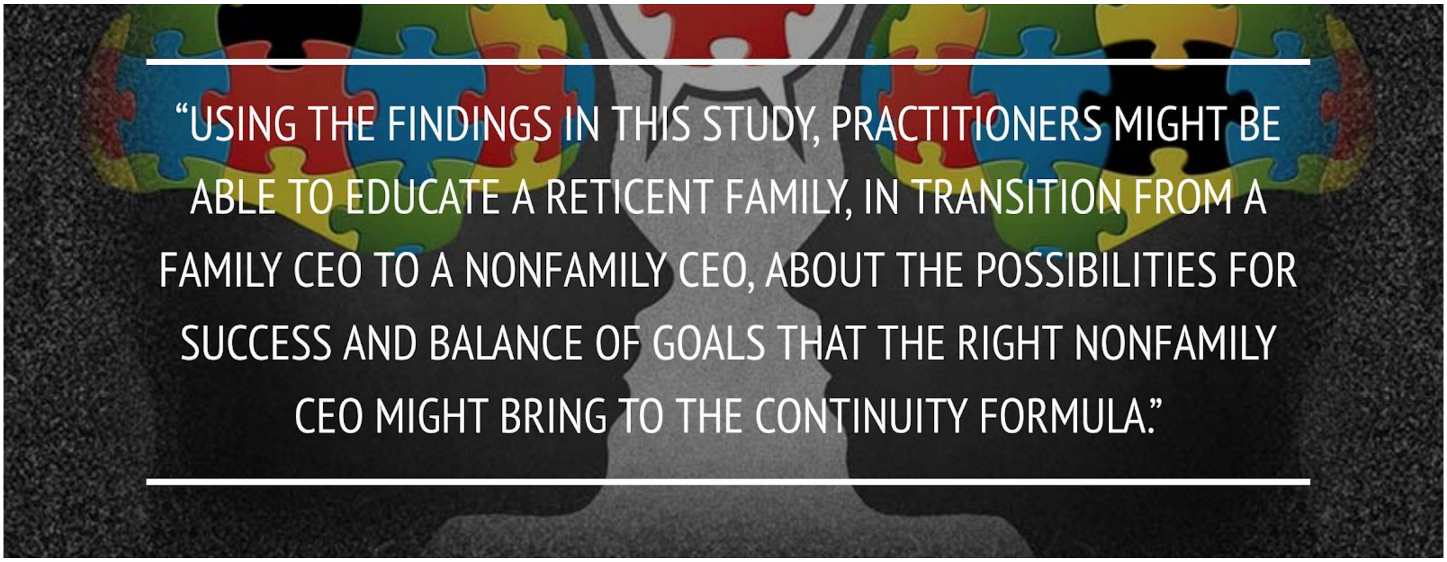
Some of the traits of the nonfamily CEO (remember, based on the Belgium sample of 44) are that they:

1. Have a very balanced personality (don't have extreme highs or lows on their scores). This allows them to be more flexible in their behavior and more inspiring to the others who behave according to their vision, direction, and leadership.
2. Are able to find a balance between competing issues, such as emotion and business.
3. Can be team players while also working on their own.
4. Are independent minded yet consider the input of others when the situation calls for it.
5. Are considered "shape shifters" who are able to behave appropriately.
6. Manage with flatter structures and more participatory leadership style.
7. Work from a sound agenda from which they seek support from key stakeholders.
8. Heed family issues and sacrifice some of their ideas to compromise with the family.
9. Are presented with challenges when needing to take charge (family runs risk when non-family CEO wants to take control and cannot act on their take charge tendencies).

Traits of family CEOs studied in this Belgium-based research pool are that they:

1. Have personalities traits that do not seem to be significantly associated with firm performance. Several reasons include that family CEOs are said to pursue not only firm financial performance but also family-centered, socioemotional goals. Family CEOs appear to balance these types of goals rather than be oriented just to one (financial or family).
2. Demonstrate unbalanced traits in their personalities, meaning extreme highs and lows on their scores on this assessment.
3. Are less trusting of people.
4. Are less likely to be team players especially in combination with their being very independent minded and competitive.
5. Do not like to follow rules of others.
6. Can be significantly less democratic and quite dominating in their working relationships.
7. Have difficulty adapting to different situations/persons due to their strong-willed personalities.
8. Pursue not only financial goals, but also family-centered socio-emotional goals (Berrone, Cruz, & Gomez-Mejia, 2012; Gomez Mejia et al., 2007) (they don't maximize one goal, but balance both).
9. Not subject to the same impact of the upper echelons theory.
10. Driven by more blended goals.
11. Might have more discretion since they are family CEOs who are likely owners.

Ownership families do not always inherently know how to understand personality and the behaving, thinking, feeling, influencing, and relating preferences resulting from it. The family firm advisor can play a critical role in assisting ownership families in several ways including with offering insight and understanding relative to CEO personality (nonfamily or family), making predictions of how it might impact performance and guiding the CEO toward more positive performance results.



Some suggestions—including several that were alluded to in the article—that might benefit practitioners, families, and upper echelon influencers, follow:

1. Integrate a personality insight instrument like OPQ into the hiring process, regardless of family or nonfamily CEO candidates. As family firm owners, consider investing in personality insight as a strategic initiative. Build a personality capital and intentionally utilize it as a continuity and competitive resource.
2. Integrate a personality insight instrument like OPQ into the practices of an existing upper echelon management team. Help them understand each other and how they prefer to think, behave, and influence. This will be a gift to your CEO, board, and ownership family.
3. Integrate a multi-environment (vs. occupational only) personality instrument (DiSC, Meyers Briggs, or Emergenetics, among many others) into systemic consulting work with ownership families and governance boards. An open-minded view to personality will influence the relationship and connection each has with the CEO. It will also influence type of information that is shared, the way in which it is shared, the way it is understood and utilized, the process used in collaborative decision making, the process used in development, etc.
4. Formalize a way in which clients select family CEOs vs. nonfamily CEOs. Overlay the ideal personality traits on top of the list of ownership and business goals to determine which traits would likely help the family fulfill their goals.

Using the findings in this study, practitioners might be able to educate a reticent family, in transition from a family CEO to a nonfamily CEO, about the possibilities for success and balance of goals that the right nonfamily CEO might bring to the continuity formula. Additionally, the practitioner might be able to bring intentionality programs and training into the family firm with a family CEO. Such programs could include securing a "working with personality type" management tip sheet from the personality profile creators.

The authors suggest that this study serve as the beginning of more and broader research on the topic of personality. They invite studies on larger samples, more diverse demographics, and dimensions of performance beyond the financial assets, such as culture, strategy, socio-emotional wealth, and agency vs. stewardship. As a practitioner, I would be interested in seeing research conducted on how the upper echelons theory might apply to the organizational health of enterprising families, whereby ownership and generational placement create a different set of echelons. Additionally, I am curious to learn more about how the strong will in family CEO personalities might positively impact multi-generational survivability of, and innovation integration into, the family firm.

CEO personality will be of ongoing evolving interest for all. Investing time and money in understanding personality and its impact in the upper echelons of organizations will likely be a high-return success factor for those who choose to immerse themselves.

About the Contributor

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About Family Enterprise Alliance, LLC

Family Enterprise Alliance, LLC is a firm leveraging more than 50-years of multi-generational expertise dedicated to advancing family businesses, enterprising families, governance councils, and the professional field committed to helping them progress towards their goals for continuity.