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# LEADER-MEMBER RELATIONSHIPS IN THE FAMILY BUSINESS CONTEXT

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## DEFINITION OF KEY TERMS

**Leadership** – "a social interaction process where individuals engage in repeated leading–following interactions, and through these interactions, co-construct identities and relationships as leaders and followers" (DeRue, 2011, p. 126)

**Leader –** within the framework of this study, the person who holds a top management position, typically referred to as the managing director of a company

**Member –** within the framework of this study, the direct subordinate of the top manager/managing director of the company

**Family member –** a person who considers himself a family member tied by blood or legal relations and represents the ideas, goals, and values of the family (adapted from Astrachan, Klein, and Smyrnios (2002))

**Leader-member relationship** – like the leader-follower relationship, a unique relationship that a leader develops with every follower (adapted from Liden, Sparrowe, and Wayne (1997))

**Leader-member exchange** – "(a) a system of components and their relationships (b) involving both members of a dyad (c) involving interdependent patterns of behavior and (d) sharing mutual outcome instrumentalities and (e) producing conceptions of environments, cause maps, and value" (Scandura, Graen, & Novak, 1986, p. 580)

**Role conflict –** the degree of incongruity or incompatibility of expectations associated with the role (Croci, Doukas, & Gonenc, 2011, p. 474)

**Role-type of leader-member relationship –** the type of leader-member relationship that is ascribed with regard to the roles (family member or employee) enacted by a leader and direct subordinate

**Context –** "surroundings associated with phenomena that help to illuminate that [sic] phenomena, typically factors associated with units of analysis above those expressly under investigation" (Cappelli & Sherer, 1991, p. 56)

**Family –**

1) a group of people affiliated through bonds of shared history and a commitment to share a future together while supporting the development and well-being of individual members (Hoy & Sharma, 2010, p. 49)

2) a group of persons including those who are offspring of a couple (no matter what generation) and their in-laws as well as their legally adopted children (Klein, Astrachan, & Smyrnios, 2005, p. 338)

**Family business –** "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition 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" (Chua, Chrisman, & Sharma, 1999, p. 25)

**Trust** – "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer, Davis, & Schoorman, 1995, p. 726)

**Ownership –** "a source of power that can be used to either support or oppose management depending on how it is concentrated and used" (Salancik & Pfeffer, 1980, p. 655)

**Psychological ownership –** "the state in which individuals feel as though the target of ownership or a piece of that target is "theirs"" (Pierce, Kostova, & Dirks, 2003, p. 86)

# INTRODUCTION

The role of leadership in effective management in sustaining trust and psychological ownership in the organization among the employees is key to the long-term success and survival of any business. Interpersonal relationships in particular unfold in leader-member relationships, as these relationships concern activities in which individuals are engaged in interpersonal and mutual influence (DeRue & Ashford, 2010). Extensive research during the last four decades has confirmed that the relationship between the leader and the member (a direct subordinate) is the main driver of a number of individual level outcomes, including job effectiveness, attitudes, and retention (Gerstner & Day, 1997). In general, these findings hold true for businesses regardless of their type; however, leader-member relationships in family businesses, due to the family dimension, capture a different and unique perspective.

Overall, there has been a growing agreement among researchers that family businesses represent a unique organizational context, especially due to the overlap of both family and business, along with an emphasis on the family perspective uniqueness (Aldrich & Cliff, 2003; Distelberg & Blow, 2011; Distelberg & Sorenson, 2009; Dulebohn, Bommer, Liden, Brouer, & Ferris, 2012). Researchers agree that the field of family business research is being "distinguished from its sister disciplines by its singular focus on the paradoxes caused by the involvement of family in business" (Sharma, Chrisman, & Gersick, 2012, p. 1). This involvement is likely to shape interpersonal relationships and interactions among leaders and subordinates from at least several perspectives. Firstly, family members who are involved in the business work with both family and non-family employees and respectively engage in both familial and non-familial relationships. Leader-member relationship-building among family and non-family members is different due to the presence or the absence of common moral infrastructure, capital, values, norms, obligations, and expectations (Hoffman, Hoelscher, & Sorenson, 2006; Sorenson & Bierman, 2009). Secondly, family, as a social institution has conscious and subconscious influence on the business (Matthews, Schenkel, & Hechavarria, 2009) and shapes the attitudes and behavioral choices of family members (Sorenson, 2014). This duality of leader-member relationships can be addressed via established theories that were originally developed for non-family business. In turn, this application may also unveil the need to adapt existing theories in order to specifically capture the family business context.

Currently, the use of well-established theories as theoretical lenses in family business research has become a trend (Chrisman, Chua, & Sharma, 2003; Sharma, 2004). For example, the application of the agency theory in the family business context has revealed its limited scope and contributed with potential adjustments (Gomez-Mejia, Larraza-Kintana, & Makri, 2003; Gomez-Mejia, Nunez-Nickel, & Gutierrez, 2001; Lubatkin, Schulze, Mainkar, & Cotterill, 2001; Schulze, Lubatkin, & Dino, 2003). Consequently, researchers note that the development and testing of a theory of the family firm should be an "overarching concern in family business studies" (Chua, Chrisman, & Sharma, 2003b). Moores (2009) also suggests that a robust theory-building approach is required to evolve family business research. Three approaches in theory building in family business research have been identified by Perez Rodriguez and Basco (2011): borrowing and replication, borrowing and extending, and transforming ideas from other fields/disciplines based on the learning that results from their extension into family business. In this vein, current study is built on the first and second approaches, borrowing from the leader-member exchange theory (hereafter LMX), applying it in the family business context and adding new dimensions related to leader-member relationships that stem from this particular context.

The current study has attempted to contextualize the theory (Whetten, 2009) of leader-member exchange (LMX) in the family business context via (1) creation of leader-member relationship typology that considers the presence or absence of kinship relationship between the leader and member, and (2) testing of the mediation model in the family business context. Indeed, current study involves two contexts: the family business context and the context of Lithuania. Although the context of a particular country may have influence on the results, the family business context is at the focus of this study. A recent stream in social sciences suggests drawing upon complexity theory (Marion, 1999), which has already brought about a totally new perspective to physical sciences (Regine & Lewin, 2000). A family business context comprises three subsystems (family, ownership and management) and thus is an example of complex organizations that are common in the landscape of modern organizations (Marion, 1999). In the current state of research, the family business is widely regarded as a supra-system in which the system is comprised of nested subsystems (Bronfenbrenner, 1979; Habbershon, Williams, & MacMillan, 2003; Stafford, Duncan, Dane, & Winter, 1999; Tagiuri & Davis, 1996; Tagiuri & Davis, 1992).

Secondly, current research attempts to unfold the impact of duality of family business leaders' and their followers' roles. The overlap of family and business shapes the unique social context, with a strong presence and role of interpersonal relationships (Chrisman, Chua, & Steier, 2005; Miller & Le Breton-Miller, 2005; Salvato & Melin, 2008), presence of family and non-family employees (Chua, Chrisman, et al., 2003b), and the duality of roles held by family members (Memili, Chang, Kellermanns, & Welsh, 2015; Tagiuri & Davis, 1996). Successful management of familial and non-familial interpersonal relationships in family businesses is paramount as it fosters creation of social capital and family social capital (Sorenson & Bierman, 2009), which in turn enables the achievement of competitive advantage (Danes, Stafford, Haynes, & Amarapurkar, 2009; Sorenson, 2014). Effective management of family and non-family employees is among the greatest concerns for family businesses (Chrisman et al., 2003; Chua, Chrisman, & Sharma, 2003a; Chua, Litz, & Chrisman, 2003). While family presence influences business and interpersonal relationships (Matthews et al., 2009), the consideration of non-family employees' perspectives is essential, as family businesses typically consist of more than 80% of non-family employees (Deloitte & Touche, 1999) who may find themselves in uncertain and complex situations since they do not belong to the family (Mitchell, Morse, & Sharma, 2003). Thus, human resources practices and policies in family businesses have been highlighted as one of the issues that requires special attention (Astrachan & Pieper, 2010) with questions, such as what human resource strategies work best in family businesses; under what conditions nepotism is good or bad and how non-family members are to be treated.

Thirdly, leader-member exchange may have an effect on psychological ownership of the organization, although this relationship has so far been largely overlooked in the literature. In addition to effective management, creating and sustaining trust in an organization and psychological ownership of the organization by employees are key issues for the long-term success and survival of family businesses. Thus, current research also attempts to study the effect of a leader-member relationship quality on psychological ownership taking into consideration the mediating role of trust. Psychological ownership, which can be developed even when legal ownership is absent (Pierce, Kostova, & Dirks, 2001) has the potential to foster favorable organizational outcomes, such as organizational commitment, organizational citizenship, job satisfaction and performance (Avey, Avolio, Crossley, & Luthans, 2009; Mayhew, Ashkanasy, Bramble, & Gardner, 2007; Md-Sidin, Sambasivan, & Muniandy, 2009; O'Driscoll, 2006; Van Dyne & Pierce, 2004). It can also foster financial performance via ownership behavior (Wagner, Parker, & Christiansen, 2003), extra-role behavior (Pierce, Van Dyne, & Cummings, 1992), and affective commitment (Liu, Wang, Hui, & Lee, 2012), while preserving transgenerational control of the business by the family (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Trust can become a central component in building a family business' social capital (Adler & Kwon, 2002; Aldrich & Cliff, 2003) Families often naturally occur as "high-trust" organizations, and trust "typically extends to family-based business relationships," and private and economic partnerships in family businesses "create a unique context for trust" (Steier & Muethel, 2013, p. 498). Trust is hence both a potential source of competitive advantage (Gersick, Davis, Hampton, & Lansberg, 1997) and an essential condition for cooperation in family businesses (Steier, 2001), as trust in these organizations is of a relational kind and is interpersonal (Corbetta & Salvato, 2004).

**Practical justification for research.** From a business practice standpoint, studies on family businesses can enhance our understanding of entrepreneurship and effective management of organizations. Family businesses dominate the economic landscape and are the driving force behind the private sector worldwide (European Commission, 2009). Numerous studies account for family businesses as a major type of business behind economies internationally (Chittoor & Das, 2007; Davis & Herrera, 1998; Heck, Hoy, Poutziouris, & Steier, 2008; Klein, 2000; Lam, 2009; Lee, 2006a; Morck & Yeung, 2003). According to various estimates, family businesses annually create from 70% to 90% of global gross domestic product (GDP).

Research has contributed to the recognition of family businesses for over 30 years, and these findings have extended beyond scientific and practical grounds to the political stage. Public attention towards family businesses has proliferated over the past years, and, likewise, the research in this field has been growing (Bertrand & Schoar, 2006). Public policy decision makers have already acknowledged the role of family businesses in the creation of new employment and enterprises and the development of local economies (Astrachan & Shanker, 2003; Heck & Stafford, 2001). Family businesses have started to gain attention in official policymaking. For example, acknowledgement of the family business as a significant unit in the European economy is observed from the legal perspective within the framework of the Small Business Act adopted by the Council of the European Union (2008). At the same time, public interest in establishing more companies of this type is strong. According to the data retrieved through Flash Eurobarometer on entrepreneurial mindsets, 37% of Europeans and 58% of Lithuanian residents would prefer to be self-employed (European Commission, 2013).

Nonmarket mechanisms, including kinship ties and family cohesion, are especially significant when formal markets are immature (James, 1999) and this observation is relevant for emerging economies, such as Lithuania's. With regard to family businesses in Lithuania, the available data is scarce. According to some estimations, the share of family enterprises in Lithuania is 38%, and this type of business represents 92.3% of small and medium-sized enterprises (SMEs) (Mandl, 2008). However, feasible data is lacking as is the general statistical term of "family business," which is missing. There is also no legal definition of a family enterprise or a particular officially recognized form of family business. The closest legal form of business is the "small partnership," which was legally adopted for small companies, including family businesses, as of September 1, 2012. Nevertheless, certain observations lead to the assumption that family businesses play a distinctive role in the economy of the country. As is the case of many formerly socialist countries, where families play a critical role in providing necessary resources for newly established businesses (Dyer & Mortensen, 2005; Duh, 2003), the same trends are observed in Lithuania.

SME business founders rely largely on family and friends as a source of financial capital and advice concerning business (Statistics Department of Lithuania, 2009). In addition to this, a quite common practice for individual business license holders is to include a family member in the license. The situation is quite similar with public media and discussions where the term SME represents both SME and, by default, family businesses as it is generally presumed that many SMEs are family businesses as well. In a study by Mandl (2008) Lithuania was recognized among the countries where family enterprises have to master business succession in combination with family internal succession, as well as failure rates of business transfers and tax issues in relationship to business transfers. Given that, (1) Lithuanian businesses count only more than 20 years and hence there is no longstanding history during which they could have accumulated significant experience, and (2) experience gained during the episodes of transgenerational continuity from the 1st to 3rd generation will be critical, creation of a knowledge pool for these companies via research could add value to their path towards transgenerational longevity and sustainability.

**Current state of the research and the remaining gaps.** The influence of a context is often unrecognized or underappreciated in organizational research (Johns, 2006; Shamir & Howell, 1999) and, likewise, work context has received limited attention in leader-member exchange (LMX) research despite that such a call is not new (Dulebohn et al., 2012). A review by Porter and McLaughlin (2006) of theoretical and empirical research in 21 major scientific journals published between 1990 and 2005 confirmed these respective insights (Boal & Hooijberg, 2001). In parallel, there have been major calls to study LMX in context, but these studies remain fragmented (examples include Bono and Anderson (2005); Sparrowe and Liden (2005)). In 1995 Graen and Uhl-Bien had already suggested that leader-member relationships do not exist in a vacuum but in a work group or an organization. The idea was supported by House and Aditya (1997) who argued: “It is almost as though leadership scholars, including first author of this article, have believed that leader-member relationships exist in a vacuum. While it is unlikely that scholars believe this, the fact is that the organizational and environmental context in which leadership is enacted has been almost completely ignored” (p. 445). LMX theory and research is in the evaluation and augmentation stage when researchers strive to augment understanding of causal mechanisms and the boundary conditions of LMX effects (Mayer & Piccolo, 2006). A priority of future research on leadership should be the causal mechanisms linking leadership to outcomes (Avolio, Walumbwa, & Weber, 2009). Still, to this day, studies on leadership and LMX in organizational contexts have been limited.

The dominant theory of leader-member exchange, Leader-member exchange theory (LMX), considers exchange as a vertical dyad linkage and is based on the degree of latitude that supervisors grant their subordinates in negotiating work roles (Dansereau, Graen, & Haga, 1975). The limitations of this theory, however, cause critique and questions, whether it really represents and measures relational dimensions, what is claimed in the theory, since a single measure of the relationship quality has been used extensively while not taking into account the social exchange component (Dansereau et al., 1995; Dienesch & Liden, 1986; Liden & Maslyn, 1998; Rousseau, 1998). A recent stream of research (Bernerth, Armenakis, Feild, Giles, & Walker, 2007; Coyle-Shapiro & Conway, 2004; Liden et al., 1997; Masterson, Lewis, Goldman, & Taylor, 2000; Shore, Tetrick, Lynch, & Barksdale, 2006; Wilson, Sin, & Conlon, 2010) acknowledges this critical perspective. Researchers have typically opposed social and economic exchange by employees. However, the study by (Shore et al., 2006) confirmed that exchange embedded in relationships between employees and organizations can be both social and economic. Bernerth et al. (2007) also introduced a conceptually different approach to analyze the leader-member exchange, which is more accurately based on social exchange theory and with respect to reciprocity relies not on the leader's, but on the member's perceptions in contrast to most scales used in the classical Leader-member Exchange Theory. To date, however, there has still been no consensus as to whether the analysis and measurement of leader-member exchange as a social leader-member exchange in contrast to a vertical dyad linkage approach yields more accurate results.

Currently, the field is in the development stage and no family-business specific theory is yet available. In turn, extant organizational theories are applied in order to determine whether they are robust enough to explain research questions concerning family businesses. Recent research calls to augment the studies concerning the potential of family influence in the business with the studies that would investigate how the family influences the business (Rutherford, Kuratko, & Holt, 2008). As families influence the business at different levels and in indirect ways, Chrisman, Chua, Kellermanns, Matherne III, and Debicki (2008) encourage research on indirect effects that the family influence has on the business. Research that would focus on cooperation and synergy between family and business systems is anticipated (Aldrich & Cliff, 2003; Corbetta & Salvato, 2004). Leadership and leader-member relationships remain a largely unexplored topic in family business. An understanding of what contextual factors enable organizations to foster psychological ownership is still lacking (Bernhard & O'Driscoll, 2011). So far, literature on antecedents of psychological ownership in organizations in general has mainly considered work design (Pierce, Jussila, & Cummings, 2009). Nevertheless, in family businesses a different set of factors can have a more direct effect on the feelings of ownership (Bernhard & O'Driscoll, 2011). While trust in family business has been identified as interpersonal and relational (Corbetta & Salvato, 2004), the relationships between leader-member exchanges and trust have not been analyzed yet. Thus, the object of this research is leader-member relationships in family businesses.

It has been suggested that the family business context provides an arena for new research on leader-member relationships and for testing LMX theory in a new context. Currently, no theoretical framework has been developed that attempts to evaluate leader-member relationship peculiarities and their influence on psychological ownership in the context of family businesses. More specifically, the mediating role of trust in the leader-member and psychological ownership link has not been explored. The study in this dissertation is driven by the major research question: How are the leader-member relationships in the family business context associated with psychological ownership? In particular, I investigate:

1. How the role-types of leader-member relationships affect the quality of leader-member exchange;
2. Whether psychological ownership is affected by the quality of leader-member exchange;
3. To what extent interpersonal trust affects the aforementioned relationship.

**The purpose of the research**. The research follows a relational approach towards leadership with the purpose of examining what the differences between particular role-types of leader-member relationships are and the underlying causal mechanism of leader-member exchange effects on psychological ownership in the family business context.

The **objectives** of the dissertation are as follows:

1. To disclose the concept of family business and theoretical grounding of the family business context;
2. To disclose the concepts of leader-member relationships and leader-member exchange in the family business context;
3. To theoretically ground the effect of the quality of leader-member exchange on psychological ownership and interpersonal trust;
4. To theoretically analyze the interplay among the family business context, leader-member relationships, psychological ownership, and interpersonal trust;
5. To empirically evaluate the linkage between the quality of leader-member exchange and psychological ownership, and the mediating role of trust in this relationship;
6. To provide discussion of the results of the analysis of the family business context, leader-member relationships, psychological ownership, and interpersonal trust.

**Research methodology.** The research covers the analysis of the theoretical background with a focus on leadership, leader-member relationships, and the family business context. The study follows a deductive approach, including the testing of raised hypotheses, and, consecutively, the empirical research is designed as a quantitative study involving leaders and members from micro and small family enterprises in Lithuania. In order to prevent the common method bias, the information is collected from two samples of the respondents: managing directors (leaders) and their direct subordinates (members) (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). From statistical analyses, conditional process modeling (Hayes, 2013), regression (Baron & Kenny, 1986), and the Spearman and Canonical correlation analyses are applied. Cronbach's alpha is used to assess the internal reliability of the scales. The statistical analysis was performed with SPSS (including the PROCESS macro) and R statistical software (Yacca and Lavaan packages).

**Scientific novelty of the dissertation and contribution to current research.** The study in this dissertation contributes to: (1) organization and leadership studies with a focus on the family business context; (2) findings on leader-member relationships and leader-member exchange in the family business context; (3) presents empirical evidence on family businesses in transition economies and Lithuania in particular.

Via the study of the outlined questions, the dissertation makes a number of contributions to the streams of leadership and family business literature:

1. With respect to the lack of contextual studies in organizations, the current dissertation contributes by researching the family business context;
2. With regard to the lack of contextual studies in leader-member relationships, the dissertation analyzes contextual factors in leader-member relationships in family businesses;
3. With regard to the lack of contextual studies in Leader-Member Exchange (LMX) theory, the dissertation analyzes contextual factors in the leader-member relationships in family businesses;
4. With regard to the growing relational approach in leadership studies, the dissertation complements this research stream through the employment of relational perspectives on leadership;

5. With regard to research on family businesses, the dissertation addresses the lack of studies on leader-member relationships in the family business context;
6. With regard to familial and non-familial types of relationships, the dissertation suggests a framework of role-types of leader-member relationships in the family business context.

**Practical significance.** The dissertation contributes to:

1. Contextualized family business research, which translates into literature that is applicable for practitioners as they can identify themselves within particular contexts;
2. The disclosure of the existence of role-types of leader-member relationships in the family business context and the importance of taking them into consideration in the development of human resource practices and leader-subordinate relationships with management in particular;
3. The understanding of non-family employee management and highlights the differences in non-family employee perceptions as they compare to family-based and non-family based relationships with leaders;
4. The understanding of family employee management and underscores that the social exchange and trust issues in a leader-member relationship should be considered as two, although related, distinct components of relationships to be managed.

**Research limitations.** The dissertation research model and empirical study is limited to leader-member relationships in family business context and thus cannot be generalized to all organizations. The correlational design in the study does not prevent the third variable problem (Spencer, Zanna, & Fong, 2005). The findings are limited to a single time-point and further longitudinal studies would be necessary to re-evaluate the findings, as leadership is not constant across situations and over time (Denis, Lamothe, & Langley, 2001; Scully, Sims, Olian, Schnell, & Smith, 1994). Despite multiple data sources in an empirical study, due to the self-report nature of some items in the questionnaires, common method variance may still be an issue (Podsakoff et al., 2003). The micro and small company size of up to 20 employees, retail industry and context of Lithuania may encompass specific norms, culture, expectations, behavior and other outcomes. Thus, future research could address the broader samples including companies of the same and different size, industry and country-specific context. The study focuses on individual-level outcomes albeit acknowledging that leadership is a multi-level phenomenon (Yammarino, Dionne, Chun, & Dansereau, 2005).

**Structure of the dissertation.** The study comprises of five chapters reflecting theoretical background, research methodology, results of empirical study, discussion of results, conclusions and implications. The first chapter introduces the theoretical background and literature analysis, as well as discusses antecedent research results in relation to leader-member relationships in family business context to reveal the current findings and implications, as well as determine the linkages between leader-member relationships and exchange, psychological ownership, and interpersonal trust. The model for empirical research based on the current theories is presented and discussed at the end of this chapter. The empirical study methodology is discussed in chapter 3. The results of the empirical study are discussed in Chapter 4. Finally, the conclusions and implications for further research and practice are discussed in Chapter 5.

## Publications and presentations of research findings

### Peer-reviewed journals

1. Štangej, O., Škudienė, V. (2016). The role of familial trust in the leader-member exchange. *Organizations & Markets in Emerging Economies, 7*(1), 53–73.
2. Štangej, O., Škudienė, V. (2013). Family business transgenerational continuity in transition economies: towards a conceptual model. *Organizations & Markets in Emerging Economies, 4*(2), 150–167.

### Conference presentations

1. Goel, S., & Stangej, O. (2015). *Family business value chain analysis.* Annual Strategic Management Society Conference, Denver (United States), October 3–6, 2015.
2. Stangej, O., & Henssen, B. (2015). *Leadership in family business: a relational perspective.* Annual IFERA Conference, Hamburg (Germany), June 30 – July 3, 2015.
3. Stangej, O., & Skudiene, V. (2011). *Value creation relationship with variations in family system boundaries.* International Scientific Conference "Customer as Change Driving Force" BMRA2011, Kaunas (Lithuania), October 20–21, 2011.
4. Stangej, O., & Skudiene, V. (2011). *Leadership succession factors within family business context.* International Eurasia Business and Economics Society (EBES) Conference, Zagreb (Croatia), October 13–15, 2011.

Doctoral consortiums:

1. Stangej, O. (2014). *Family business leadership and leadership configurations.* Doctoral Consortium of the Annual IFERA Conference, Lappeenranta (Finland), June 24, 2014.
2. Stangej, O. (2013). *Leadership succession in family business.* Doctoral Consortium of the Annual IFERA Conference, St. Gallen (Switzerland), July 2, 2013.

# 1. THEORETICAL ANALYSIS OF THE INTERPLAY AMONG THE FAMILY BUSINESS CONTEXT, LEADER-MEMBER RELATIONSHIPS AND THEIR OUTCOMES

The following sections provide a summary and analysis of research and academic literature in the fields of organizational leadership and family business. While substantial levels of knowledge can be found in each of these fields separately, the interplay of these topics has been limited. The following theoretical part of this dissertation will provide an overview of the existing theoretical and empirical research that is most relevant for the topic studied within frames of this dissertation, as well as present the current achievements and deficiencies in the field. Analysis of respective theoretical concepts will follow. The necessity for research on the identified problem and the study possibilities are disclosed in this part.

The following discussion on the theoretical grounding of concepts will firstly begin with the theoretical grounding of the family business concept and context. Specifically, I will disclose the concept of the family business and derive the key characteristics of the family business context: relationships among individuals, familial and non-familial types of relationships, and the duality of roles held by family members. Secondly, theoretical grounding for the analysis of leader-member relationships will be provided. Third, the concepts of psychological ownership and trust will be grounded. Theoretical analysis of the interplay among the family business context, leader-member relationships, psychological ownership, and trust will complete the theoretical framework of the dissertation.

## 1.1. Theoretical grounding of the family business concept and context

The key characteristics of the family business as a context are what largely differentiates family businesses from non-family businesses. Discussion presented in this part thus focuses on a set of distinctive characteristics of a family business as a context, including the role of relationships among individuals, coexistence of familial and non-familial ties, and the duality of roles held by family members. It underscores how these characteristics shape the context and serves as grounding for the theoretical concept of the family business that is employed in this study.

### 1.1.1. The concept of the family business

Previous reviews have confirmed that the valence and direction of results will vary depending on the definition of a family business that is employed in the study (Miller, Le Breton-Miller, Lester, & Cannella, 2007; Sharma, Melin, & Nordqvist, 2014). While a plethora of family business definitions can be found, the next sections present the theoretical state in the field and provide a rationale for the adoption of the particular definition, presented in the end of this discussion. An attempt to define a family business requires a definition of a family, too. Therefore, discussion begins with the concept of a family.

***Concept of a family***

So far, studies have barely approached the variable of a family and its measurement (Pearson, Bergiel, & Barnett, 2014). In most cases, “the task of defining the ‘family’ is left to the respondent, leaving open the possibility of multiple interpretations of a key term in the same data set” (Sorenson, 2014, p. 7). Among examples of extant studies in family business is the essence and component-based approach by Sharma, Salvato, and Reay (2013), who suggest that consanguinity, cohabitation, legal status, generations, gender, and birth-order can be used to operationalize the family variable.

Despite an array of varying notions employed in family business research, most of them rely on a structural view of the family that considers biological and legal ties to be binding the family group (Koerner & Fitzpatrick, 2004). Thus, kinship ties are, directly or indirectly, encapsulated across definitions of the family adopted in the literature. In modern society, multiple variations of a family can be found (McGoldrick, Carter, & Garcia-Preto, 2010) and the idea of familial bonds and family members are socially constructed and can vary greatly across cultures, generations, and ideology (Koerner & Fitzpatrick, 2002). For example, in contemporary society members who would be typically considered to be extended family members, often act as immediate family members (Schmeeckle & Sprecher, 2004). Likewise, it is fair to claim, that in the family business context, the concept of the family extends beyond genetics and nuclear family (spouses and their children) and rests with extended family/kinship, defined as “social relationships among those related by blood, marriage, or self-ascribed association that extend beyond the marital dyad, the nuclear family of parents and dependent children, or one-parent households" (Johnson, 2000, p. 625). Kinship ties thus include both blood and affinal kin and extend the notion of family members to siblings, in-laws, multiple generations and alike (Santiago, 2011; Westhead & Cowling, 1998). Thus, a family member is typically a person who considers himself a family member tied by blood or a legal relationship and represents the ideas, goals, and values of the family (Astrachan et al., 2002).

An overarching approach in family business studies is firm-centered and assumes the existence of the business and considers the family in terms of its role and influence on the business (Kotlar, 2012). Distelberg and Sorenson (2009) summed up that, based on the tenets from the definition of a *family*, the family business can be defined as "individuals who are employed by the business or who share common goals, values, and commitment to the whole" and "where the interdependence and interactions of these individuals within their business environment create the business system" (p. 67). It is then feasible to define the family as "a group of people affiliated through bonds of shared history and a commitment to share a future together while supporting the development and well-being of individual members" (Hoy & Sharma, 2010, p. 49). Rather operationally, a family then is "a group of persons including those who are offspring of a couple (no matter what generation) and their in-laws as well as their legally adopted children" (Klein et al., 2005, p. 338).

While a tendency can be observed among researchers to apply an operational definition of family business which is suitable for empirical study conduction, balance must remain between two aspects of suitability: operational and theoretical (Chua et al., 1999). It is necessary to maintain both, but also distinguish between the operational (working) and theoretical definitions as "the theoretical definition sets the paradigm for the field of study and the standards against which the efficacy of an operational one must be measured" and "without an operational definition, the theoretical definition cannot be applied" (Chua et al., 1999, p. 23). In order to preserve theoretical rigor and also provide a clear selection criterion for empirical study, both the definitions by Hoy and Sharma (2010) and Klein et al. (2005) are employed in this dissertation.

***Concept of the family business***

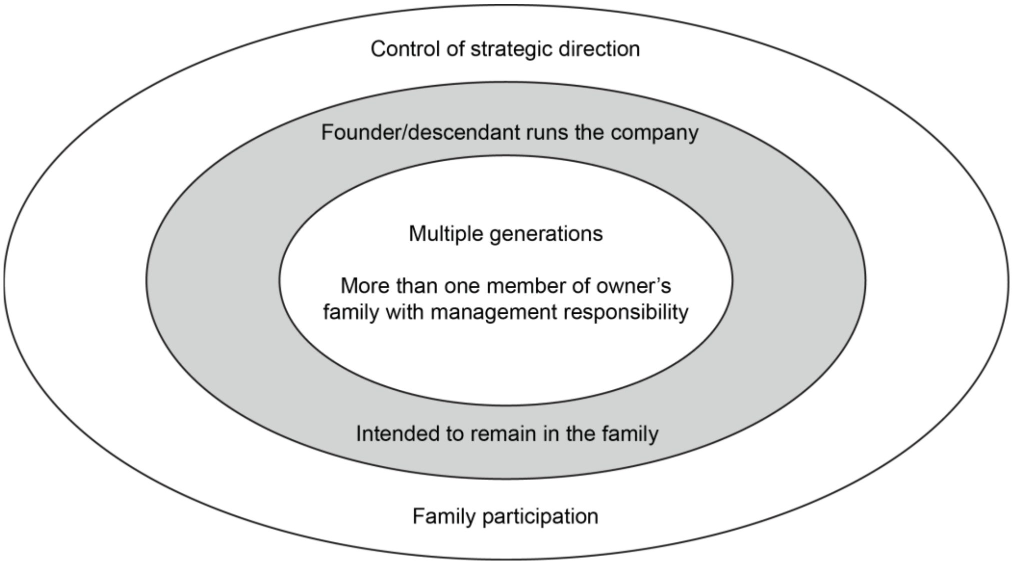
The field so far has seen numerous attempts to define the family business. Despite the number of studies that have been conducted on family businesses, the definition of a family business in the field still remains ambiguous with operational and theoretical or conceptual definitions at hand. If one is also to include the legal framework in addition to solely scientific attempts, these definitions also tend to vary from country to country. For example, in a study which summarizes data from 33 European countries Mandl (2008) found more than 90 definitions of "family business". While summarizing her findings Mandl (2008) concludes that there is a lack of a generally accepted definition that would be "widely and exclusively applied to every conceivable area, such as to public and policy discussions, to legal regulations, to an eligibility criterion for support services, and to the provision of statistical data and academic research" (p. 1). Overall, none of the studies resulted in a definition that would be generally accepted. Hence the clear definition of a family business is still far from final. Therefore, for the clarity of discussion, two attitudes, or approaches, towards the definition will be presented further in this section: the **difference-based or "components of involvement" approach** and the **"essence" approach**.

The pivotal role of many definitions following the **difference-based or "components of involvement"** approach is to provide a basis for distinguishing family businesses from non-family businesses. The difference-based approach relies on the preceding stream of works in the field based on a dichotomy of family vs. non-family businesses, and the definition of a family business is a set of conditions which the company should meet. For example, a family business can be defined as a "business which is owned and governed by a particular family, where two or more family members are involved who are (or not necessarily are) bound by blood ties." These conditions are hereby stated separately on purpose; researchers decide themselves whether all or only several conditions are included in a definition which they apply. Overall, such definitions differentiate family businesses from non-family businesses based on the involvement of a family in the business.

Extensive study by Yu, Lumpkin, Sorenson, and Brigham (2012) reveals that in order to distinguish family from non-family businesses researchers and professional consultants frequently identify the following dependent variable categories: family involvement in the business, family values, family business characteristics, attitude towards family business, family members, and succession processes. Habbershon et al. (2003) added a new dimension of “familiness” from a resource-based view which as a theoretical perspective has been gaining attention among family business researchers (Chrisman et al., 2003). The dimension of “familiness” here refers to a driving force beneath the family business vision and goals: unique resources and capabilities arising from within the family that are unique, inseparable, and synergistic (Habbershon et al., 2003) and refers to the specific and unique culture of the family business comprised of intangible family-specific resources such as social capital, culture, and norms that arise from the family system.

Family businesses are also distinguished via such unique characteristics as continuity from one family generation to another in management and control (Chrisman, Chua, & Sharma, 2005) or the so-called “trans-generational effect” with the business transition from one generation to the next being one of the key moments in determining the survival of the family business. Researchers may adopt different criterion of ownership rights in order to consider a company as a business, that is, a different number of family members have to be preserving the ownership rights. However, according to the early introduction by Handler (1990), the business may be considered with at least one family member running the business. Overall, the characteristic of family member ownership and control rights is essential for the typology in differentiation among the businesses. Finally, the influence of the family as a dominant coalition (Chrisman, Chua, & Sharma, 2005) with pursuing of their vision, values, and interest are among the critical and unique characteristics describing the family business. To finalize this differentiation of family businesses presented above, the range of family business definitions developed by Astrachan and Shanker (2003) serves as an accurate representation. The range includes definitions from broad and inclusive to the narrow and exclusive and is presented in the figure below, named “Family business universe” by the authors (Figure 1).

**Figure 1. Family business universe**



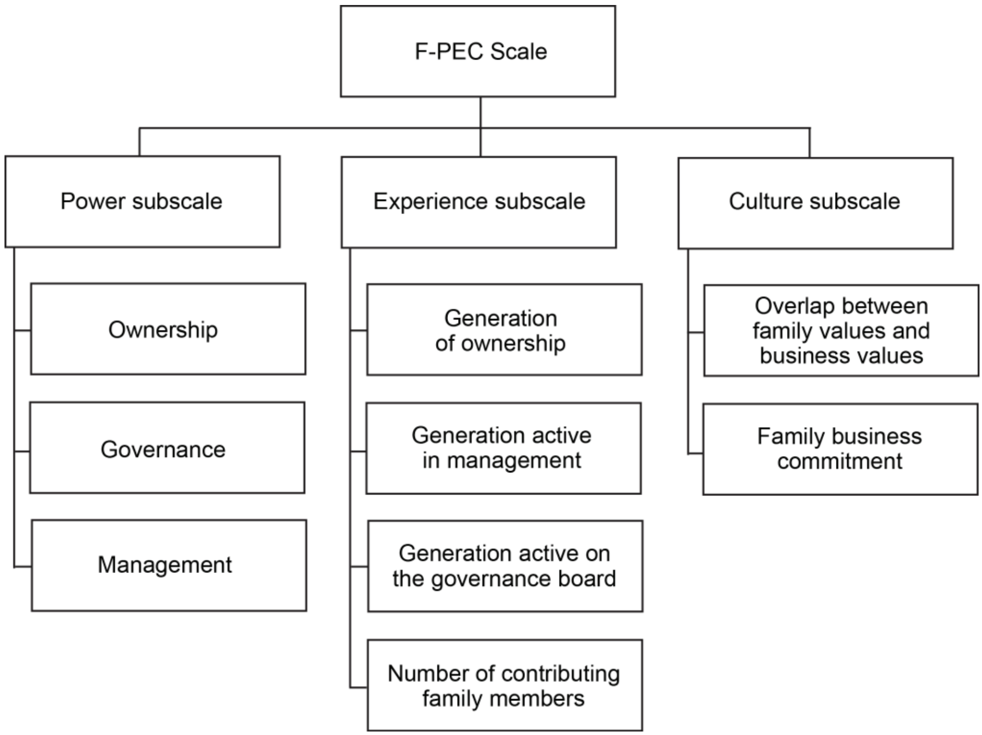

Source: Astrachan & Shanker, 2003

In its broadest definition the outer circle of the "bull's eye" figure assumes at least some participation by the family in the business and control over the strategy. The middle definition is narrower and includes intention to pass the business to a family member as a condition. It also accounts that the company is run by the founder or a descendant of the founder. In order to enclose the meaning of "running the business," separation of possible family involvement is useful (Chittoor & Das, 2007; Davis, 2001): (1) family members' involvement through operational activities and (2) family members' involvement through ownership and influence on strategic decisions. According to (Chittoor & Das, 2007), in the second case a family may intentionally choose to be uninvolved in the operational activities/management, still through ownership and governance have influence on the long-term vision, values, and culture. Following this strand, two primary categories of businesses may be defined: family owned and family managed businesses; and family owned and governed but professionally managed businesses (Chittoor & Das, 2007). The middle definition by Astrachan and Shanker (2003) includes this demarcation between the two types of family members' involvement. The third, narrowest definition in the figure highlights multiple generations as having an influential effect on the business. Altogether these differences – transgenerational continuity, involvement of family members, familiness, and influence of the family – constitute the uniqueness of family businesses and grounding for the difference-based approach to defining the family business.

Nevertheless, limitations of difference-based approaches to a family business definition are captured in the conclusion by (Astrachan et al., 2002), that "artificially dichotomizing family vs. non-family firms […] creates more problems than it attempts to solve" (p. 46). In summary, the difference-based or “components of involvement” approach to defining a family business is operationally convenient and allows researchers to sort the whole population of businesses to family and non-family respectively. Room is also left for convenience-based decisions, conditioned, e.g., by accessibility of the study sample. However, it can be pointed out that the emergence of this approach can be linked with the early stage of science. The field has been nurtured by findings from different types of specialists, both academics and professionals. Once the field has reached the Normal science stage, and the previous findings lead to the formation of a paradigm, the definition must also be driven by the essence approach.

The emergence of the **“essence” approach** is captured by Chrisman, Chua, and Sharma (2005), who argue that “components of involvement” and “essence” approaches must be distinguished from each other. In order to capture the “essence” approach and differentiate family business activities such as ownership, governance, and management this paper will employ the definition coined by Chua et al. (1999) where family business is regarded as “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition 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” (p. 25). This definition rounds up the “components of involvement” approach and stresses the sustainability of a business across generations, which is at the essence of the family business as it is presumed that family businesses pursue sustainability across the generations of families (Chrisman, Chua, & Sharma, 2005). This way it also recalls an early argument by Litz (1995) denoting the family intention to retain control over the business across the consequent generations. Astrachan et al. (2002) suggested a more complex approach, specifically labelled as the family involvement and influence approach. This approach considers the family business’s content, purpose, form, and measurement in three dimensions in order to indicate the “extent and manner of family involvement in and influence on the enterprise." According to the authors, family influence is presented in three dimensions of power, experience, and culture (Figure 2).

**Figure 2. F-PEC Scale**




Source: Astrachan, Klein and Smyrnios, 2002

The F-PEC scale is a more complex and encompassing approach, which aside from three main components (ownership, governance, and management) defined as power subscale, introduces two additional subscales with a more accurate focus on the essence of the business: the experience and culture subscale. This way the family influence-based approach coincides with recent calls to consider family businesses from a differentiated perspective (Chrisman, Sharma, & Taggar, 2007). These calls are associated with an idea that family businesses are not homogeneous, but do differ among them with respect to interaction between family and business over a number of dimensions (Astrachan et al., 2002). The proposition that family businesses vary in terms the degree of family involvement in the business has already been supported by empirical findings (Sharma, 2004). As for the family business as a unit, the degree of family involvement may also change during the different developmental stages of the business (Gersick et al., 1997).

With respect to the heterogeneous view of family business, in this dissertation I further adopt the definition of the family business as a business "governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition 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" (Chua et al., 1999, p. 25). The F-PEC scale captures the omnibus context of a family business and, for the purpose of this study, items from the F-PEC scale will be applied and introduced in the methodology section.

### 1.1.2. The family business context and its characteristics

Above all, contextualization involves identification of factors that are associated with units of analysis above phenomena expressly under investigation (Cappelli & Sherer, 1991). Context refers to the stimuli and phenomena in an individual's external environment that exist at different levels of analysis (Mowday & Sutton, 1993). The context of work is a set of moderating factors, which have influence on the worker's behavior and adaptation (Strong et al., 1999). The dimension of a context draws from organizational psychology and represents the level of analysis, which can be classified as omnibus and discrete contexts – two approaches that can be undertaken to define the moderating influences (Johns, 2006). The omnibus context refers to "an entity that comprises many features or particulars" and refers to "context broadly considered," while the discrete context refers to "the particular contextual variables or levers that shape behavior or attitudes" (Johns, 2006, p. 391). Johns (2006) draws three categories of discrete context elements: task, social and physical, which can influence motivation, attitudes, and behavior. Task contexts may be described as autonomous, uncertain, or predictable, while social contexts can be described in terms of social influence and social interactions (Johns, 2006). The social context category entails elements, such as members of organizations and their composition, structure, status and conditions, organizational culture and purpose, type and size of unit, external dependency, and position power of leader. Physical factors largely depend on the particular focus of the research.

Task context (objective environment) and social context (interpersonal relationships) are the most important in work role requirements due to their direct relation to role enactment and the work role environment (French & Kahn, 1962; Katz & Kahn, 1978b). In other words, the factors from task and social context influence how the work roles are perceived and enacted, and form the consistency of expectations that workers have about different work role requirements (Dierdorff & Morgeson, 2007). The influence of interpersonal relationships and social interaction on role definition and performance has been highlighted in a number of studies, for example, Katz and Kahn (1978b); Morgeson and Campion (2003); Strong et al. (1999).

The family business is a specific context of enquiry due to the social context that embraces the significance of interpersonal relationships and social interaction. In order to contextualize the family business, the social context is specified further. Three social context elements are drawn: relationships among individuals, familial and non-familial ties, and the duality of the roles of family members.

#### 1.1.2.1. Relationships among individuals

Relationships are “the context in which most human behavior occurs” (Berscheid, 1999, p. 262). Thus, all of the social sciences are “in good part devoted to the study of the process and products of human association” (Schachter, 1959, p. 1). The disciplinary landscape of interpersonal relationships is hence broad. The study of interpersonal relationships has found its place in psychology, sociology, health sciences, anthropology, communication studies, economics and management, so that eventually it was labelled the science of interpersonal relationships, or “relationship science” (Berscheid & Peplau, 1983). Relationship science is aimed at “laws governing individuals’ interactions with each other,” where “the tissue of a relationship, and an object of study, is the oscillating rhythm of influence observed in the interactions of two people,” and “the goal of relationship science is to identify the causal conditions responsible for that rhythm” (Berscheid, 1999, p. 261). It thus is barely possible to understand and manage behavior if its context – the interpersonal relationships – is not analyzed.

Family businesses can develop and rely on stronger and enduring relationships in contrast to non-family businesses (Miller & Le Breton-Miller, 2005). Relationships in family businesses are formed via long-lasting interactions and involvement of family members (Chrisman, Chua, & Steier, 2005). Dyer (1988) noted, that relationships are the core of family businesses, as by definition they are uniquely based on close, embedded relationships between family members and other stakeholders, and these relationships support the survival of these organizations. Family alone, as a system, has a particular emphasis on relationships between family members (Yerby, 1995). Relationships in the family system are deeply personal and of primary importance while the role of relationships in the business is of secondary importance and tend to be semi personal or impersonal (Dyer, 1992). Thus, socially close relationships among family members are a distinctive characteristic of family businesses (Salvato & Melin, 2008). In business system, “relational embeddedness” among employees along with a high degree of trust may provide organizations with competitive advantages as strong relational ties minimize opportunism, reduce transaction costs, and in turn increase organizational performance (Granovetter, 1992). Social connections and kinship ties can promote ties, expectations, and durable obligations, thus having an influence on and shaping behavior (Pearson & Carr, 2012). Positive relationships can hence become an advantage for any family or business, especially the family business.

Relationships among individuals “that facilitate action and create value” are defined as social capital (Arregle, Hitt, Sirmon, & Very, 2007, p. 75). In other words, social capital is a representation of assets that are embedded in relationships and help to create valued outcomes (Leana & Van Buren, 1999). Social capital is at the core of family businesses, for family is a carrier of social, human, cultural, and financial capital (Danes et al., 2009; Sorenson, 2014). Family human capital can become a resource of advantage for family businesses and includes family member knowledge, experience, ability, and energy that can be made available to the business (Sorenson & Bierman, 2009). A prerequisite to family human capital is family social capital (Rodriguez, Tuggle, & Hackett, 2009) that relies on positive social relationships, be it family members who work in the business or the ones who are not employed in the company (Sorenson & Bierman, 2009). Family social capital by definition is the social capital that develops among family members in family businesses (Arregle et al., 2007). It distinguishes family businesses from non-family businesses, exists within family relationships, and cannot be hired or acquired elsewhere (Sorenson & Bierman, 2009). The foundation of family social capital are positive relationships (Sorenson & Bierman, 2009) and families that maintain relationships have stocks of social capital that can be used for the business (Danes et al., 2009; Memili et al., 2015; Miller et al., 2007; Pearson, Carr, & Shaw, 2008; Sharma, 2008). Hence, the development and management of positive interpersonal relationships is paramount in building social capital and family social capital leading to organizational competitiveness.

Still, not all relationships are built and developed equally and, likewise, not all of them equally contribute to organizational outcomes. As a unit of analysis, a family is not by default a unified or harmonious family (Sorenson, 2014). Thus, a family can have positive and/or negative effects on the community depending on the family beliefs that form both family and business identities and lay the foundation for values, norms, and expectations that have effects on interactions among stakeholders (Sorenson & Bierman, 2009; Sorenson, Goodpaster, Hedberg, & Yu, 2009). As Astrachan and Pieper (2010) note, “as in many other contexts, family influence is likely neither inherently bad nor good” (p. 3). For example, according to (Dyer & Dyer, 2009), the nature of family relationships can turn them into a liability (e.g., negative feelings, conflict) or an asset (e.g., positive feelings based on trust). If developed effectively, social and family capital in a family business can serve as a source of competitive advantage for a family business (Memili et al., 2015; Miller et al., 2007).

These findings imply that (1) family businesses largely depend on their social and family capital as a source of competitive advantage; (2) interpersonal relationships and social interactions are the foundation of the social capital and family social capital in a family business; and (3) the quality of interpersonal relationships and social interactions can be one of the factors contributing to or pulling down organizational outcomes in a family business. The proper understanding and capabilities to develop and manage interpersonal relationships and social interactions thus becomes a key to building a competitive advantage.

### 1.1.2.2. Familial and non-familial ties

Chrisman, Chua, and Sharma (2005) have called for an examination of family involvement as the real cause of the differences between family and non-family businesses. The family business context is built on the overlap of family and business systems and is a non-typical organizational setting that combines both entrepreneurial (the business) and non-entrepreneurial (the family) settings (Sirmon & Hitt, 2003; Tagiuri & Davis, 1996). Likewise, the social capital in these businesses covers two forms of social capital – economy based, which stems from the business (professional) side, and family social capital, which stems from the private entity, the family (Arregle et al., 2007). Within the company, family businesses uniquely involve two types of social interactions and interpersonal relationships – family relationships and employer-employee relationships (which fall under the category of business relationships). As relationships in these companies can also be based on familial and non-familial ties, the context of these companies entails specifics. Understanding of family businesses calls for the study of the family, its individual members, and key non-family individuals (Brännback & Carsrud, 2012).

Familial roles can have a multitude of forms – spouses, parents and children, siblings and so on. Family research and theories of family relationships involve relationships and interactions as levels of family life (see Stamp, 2004, for a complete review). The relationship level includes four categories, namely, roles, marriage, children, and intergenerational relationships (Stamp, 2004). All these categories are connected and every category can have influence on the other (Stamp, 2004). This level involves different options of relations between family members, such as parent-child, husband-wife and the like, as well as the roles enacted by the members. The interaction level involves categories of control, conflict, influence, and bonding that includes activities in which family members engage or the outcomes of these activities (Stamp, 2004). These categories are also connected and each category may have impact on the other (Stamp, 2004). Interactions among family members are one of the factors that allows permeability from the private (family) field to the business (professional) field as they help to develop and preserve mutual obligations among individuals (Arregle et al., 2007).

Familial ties in family businesses imply that family relationships are transferred to the business context and are often referred to as family involvement in the business.

Relationships among family members, along with a “deep reservoir of common history” (Broderick, 1993, p. 189) reflect the norms that bind them together (Aronoff & Ward, 1995). The attitudes and behavioral choices of family members in these companies are shaped by the family as a social institution (James, 1999; Sorenson, 2014). Close interaction between family and business can evoke both advantages and challenges (Sharma, Chrisman, & Chua, 1996). Dyer and Handler (1994) suggest that “the problems inherent in working with family members are a function of the intersection of two systems, the family and the firm” (p. 75). For example, motivation and commitment among family members can evoke loyalty and devotion (e.g., working long hours without compensation and having high flexibility in work roles and assignments for the sake of the family business) (Rosenblatt, de Mik, Anderson, & Johnson, 1985), increases levels of trust and communication (Randøy & Goel, 2003). On the other hand, family relations can impede resolution of conflicts or changes in unproductive behavior (Chua, Chrisman, & Chang, 2004). Family involvement can have a particular effect on non-family employees.

Non-family relationships, that is, relationships that occur between individuals not related by familial ties exist in family businesses just like in any company. However, family businesses experience additional challenges with regard to non-family employment. Family businesses may typically employ more than 80% of non-family employees (Deloitte & Touche, 1999) and depend more on their current employees (in contrast to new hires) (Michael-Tsabari, Lavee, & Hareli, 2008). The attraction of competent non-family employees and the development of commitment, attitudes, and behavior that is oriented towards value creation, along with effective management of non-family employees, are among the greatest concerns for family businesses (Chua, Chrisman, et al., 2003b; Chua, Litz, et al., 2003). Certainly, these issues are relevant in non-family businesses as well.

On the other hand, control of the family business is exerted by family members and is also a result of family relationships and interactions. Thus, familial ties entail specific opportunities and challenges associated with them. Family life can have a conscious and subconscious influence on the business (Matthews et al., 2009); hence, non-familial relationships can be affected by family involvement in the company. The involvement of family members results in significant influence of family members on key directions and decisions of the family business and vice versa (Sorenson, 2014). Human resource management practices can have an influence on perceptions of justice and fairness that non-family employees hold (Lemons & Jones, 2001). Family influence, depending on its level, can have varying effects on human resource management practices, such as staffing, promotion, compensation, and performance appraisal (Barnett & Kellermanns, 2006). For example, there is a positive effect of family ownership on long-term orientation in the business (Le Breton-Miller & Miller, 2006). Human resource practices, as a result, are aimed at sustaining employees and lessening lay-offs than in non-family businesses (Block, 2010; Stavrou, Kassinis, & Filotheou, 2006) even during economic downturns (Lee, 2006a).

In negative cases, family influence can result in an organizational setting that is prone to bias, nepotism, cronyism, and favoritism (Kotey & Slade, 2005; Lubatkin, Schulze, Ling, & Dino, 2005; Schulze et al., 2003). Relationship conflict has been highlighted as especially significant in family businesses in relation to the performance and satisfaction of involved actors (Eddleston & Kellermanns, 2007; Kellermanns & Eddleston, 2004; Pieper, Astrachan, & Manners, 2013). Perrow (1972) early noted that "much inefficiency in organizations and much annoyance shown by members...stem[s] from nepotism" (p. 13). Nepotism can have a negative impact on the business' performance (Lubatkin et al., 2005; Miller et al., 2007) and be detrimental to both the business and family (Lee, Lim, & Lim, 2003; Schulze et al., 2003).

In sum, non-economic outputs may affect company performance, and resource management in family businesses must consider them (Chrisman et al., 2003). Effective resource management is crucial for the business to benefit from social and human capital (Sirmon & Hitt, 2003). Human resource practices in family businesses, therefore, should effectively target both family and non-family employees. For that to happen, an understanding of the underlying nature of family and business perspectives is required, for it guides the behavior, interpersonal relationships, and social interactions.

Family and business systems often compete (Lansberg, 1983) and are based on different and often incompatible values (Dyer & Handler, 1994). The family system is often thought to be a more emotional entity than the business system, which tends to be objective (Ward, 1987). The uniqueness of the family business as a type of organization is determined by the overlap of a system that is structured on rational economic principles and driven by emotions (Kets De Vries, Carlock, & Florent-Treacy, 2007). Dyer (1992) outlines five areas in a comparison of family and business systems, which he called "the areas of conflict" due to the opposites in each area. Another set of findings by different authors also confirm these implications. Based on the selection criterion with the focus on social interaction, I provide a synthesis of conclusions by Dyer (1992) and other respective findings in Table 1.

**Table 1. Comparison of family and business systems with a focus on social interaction**

| Area | Family system | Business system | Authors |
|---|---|---|---|
| **Goals** | Development and support of family members | Profits, revenues, efficiency, growth, market share | (Dyer, 1992); Giordano (2003); Kets De Vries et al. (2007) |
| **Relationships** | Deeply personal, of primary importance | Semipersonal or impersonal, of secondary importance | Dyer (1992); Fiegener, Brown, Prince, and File (1994); James (1999); Knoester, Petts, and Eggebeen (2007); Ward (1987) |
| **Rules** | Informal expectations ("That's how we've always done it") | Written and formal rules, often with rewards and punishment spelled out | Dyer (1992); Kuratko, Hornsby, and Naffziger (1997) |
| **Evaluation** | Members rewarded for who they are; effort counts; unconditional love and support | Support conditional on performance and results; employees can be promoted or fired | Dyer (1992); Hollander (1983); Kuratko et al. (1997); Poza, Alfred, and Maheshwari (1997) |
| **Succession** | Caused by death or divorce | Caused by retirement, promotion, or leaving | Breton-Miller, Miller, and Steier (2004); Dyer (1992) |

Source: Developed by the author

The main conclusions derived from this overview with regard to foundations of social interactions in the family business are the following:

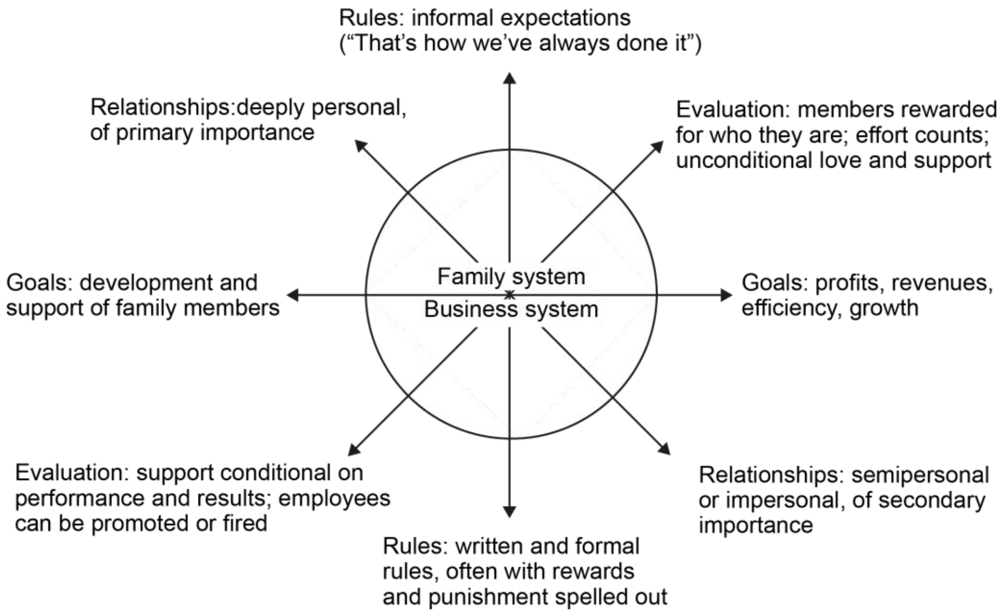
1. Relationships are personal in the family, yet are of secondary importance and can be impersonal in the business;
2. Family goals are related to the support and development of family members while the primary concerns of the business are profits, revenues, and efficiency;

3. In contrast to family, the business functions more formally and is based on formal procedures for evaluation;

4. The expectations in a family system are often informal, while the ones in a business system are often formalized, accompanied by written and formal rules, often followed by spelled out rewards and punishments.

I further rework Dyer's (1992) outline of areas of conflict that arise from family and business systems to map the family members and non-family employees in a family business. Figure 3 represents the differing goals, relationships, evaluation, and rules (expectations) as differing vectors or extreme points along the continuum. Succession, which is highlighted as a fifth area by Dyer (1992) is omitted from this figure in order to keep cohesion.

**Figure 3. Relative standing of family and business members**




Source: developed by the author

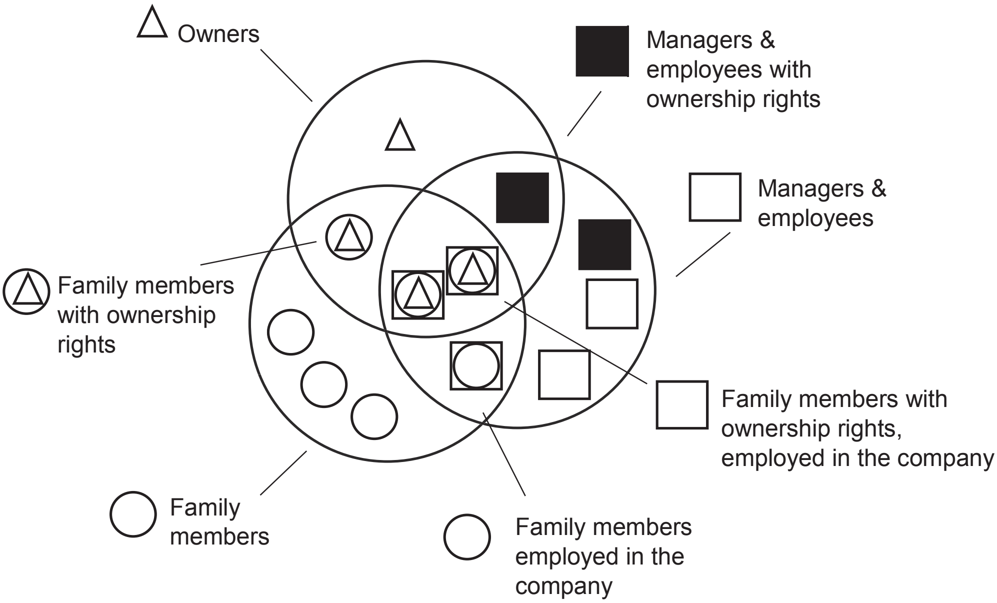
The different areas of family and business systems, which are often conflicting, are presented as extreme points. The individual employed in the business, as it was discussed, can be a non-family employee or a family member. With regard to the prevailing system that he or she belongs to, he or she should be driven towards the extreme point on any of the hypothetical axes in Figure 3. For example, an employee that is a non-family member theoretically should be oriented towards performance goals, such as financial gains or efficiency, and operate mostly in the business dimension. In contrast, family employees would either operate on the intersection of the two systems (equally matching the family and business areas) or shift to the family dimension. Logically, the closer individuals are mapped to each other, the more likely, theoretically, they are to be “on the same page” and vice versa. For example, non-family employees can often face complex cognitive expectations or uncertain and complex situations since they do not belong to the family (Mitchell et al., 2003).

However, in practice family relationships in the business context can be contradictory. The challenge and specifics of the family business are triggered when the family member faces enactment in both family and business roles. No longer then the family employee acts from solely family or business perspective, but is navigating between family and business. The duality of roles, along with the heavy influence of family firm-specific sociopsychological factors add levels of complexity, along with role conflict experienced by family members in contrast to non-family employees and non-family businesses (Memili et al., 2015). The duality of roles then becomes an underlying aspect that shapes behavior, interpersonal relationships, and social interactions of family members who are engaged in the business.

#### 1.1.2.3. The duality of roles of family members

Just as there is a coexistence between family and non-family relationships, family members employed in family businesses have dual roles. The model of the bivalent attributes of the family firm by Tagiuri and Davis (1996) is by far the most accepted representation of mapping the individuals in family businesses, albeit absence of dependent variables in the model and lack of operationalization possibilities that would enable measurement. The overlap of family, ownership, and management groups is captured via the bivalent attributes of the family firm as presented in Figure 4.

**Figure 4. Bivalent attributes of the family firm**




Source: Adapted from Tagiuri & Davis, 1996

Ownership, management, and family dimensions overlap, resulting in seven sections that specify particular involvement of a person in the system. According to the bivalent attributes model, a person engaged in the family business may be involved in:

1. Ownership only – have solely ownership rights
2. Management (business) only – be engaged solely in the business
3. Family only – be solely a family member with no direct/formal relation to the business
4. Family and ownership – be both a member of the family and have ownership rights
5. Ownership and management – have ownership rights and be engaged in the business (non-family members)
6. Management and family – be a family member and be engaged in the business (yet not have ownership rights)
7. Ownership, management and family – be a family member involved in the business and also have ownership rights

Each of the family business members may have one and only one position within this model. Family businesses are a specific context since family members can act simultaneously within both family and business systems due to the interaction of these social systems (Sirmon & Hitt, 2003). Memili et al. (2015) suggest, that in the context of family firms, having a dual role of being a member of a family and a member of the firm can represent interesting differences that make family firms an important form of organization to study. It is generally accepted that the interaction of family system with business and management system shapes the family businesses as unique (Gersick et al., 1997; Tagiuri & Davis, 1992). Family businesses depend on interactions between the members of the business, both family members and non-family employees. Hence, the overlap of three circles in the model eventually depicts uniqueness, strengths, and weaknesses of family businesses as a result of these interactions.

According to (Kelley, 2003), interdependence is among the core aspects of the social context. In business settings, Morgeson and Humphrey (2006) define interdependence as the connectedness among work roles. Interdependence “reflects the degree to which job performance depends on reciprocal interaction with others to accomplish work goals” and “can be viewed as the extent to which role enactment is predicated or reliant on contingent social relationships” (Dierdorff & Morgeson, 2007, p. 1230; Kiggundu, 1981). For family members, role enactment relies on duality – both of family and business member. In the family system alone, a role is defined as “a set of prescribed behaviors that a family member performs in relation to other family members” (Yerby, 1995, p. 255). It includes role negotiation – the process of a member’s negotiation of his or her place in the family as a parent, child, or sibling in regard to others. Role negotiation occurs “when two or more persons consciously interact with the express purpose of altering the other’s expectations about how a role should be enacted and evaluated” (Miller, Jablin, Casey, Lamphear-Van Horn, & Ethington, 1996, p. 296). Role expectations are the outcome of individuals’ experiences when they act in particular environments (Biddle, 1986). Social proxies are pervasive, with notions of an “ideal husband/wife,” “ideal mother/father,” “ideal daughter/son,” “ideal worker,” and “ideal caregiver” (Fletcher & Bailyn, 2005; Simon, 1995). Contextual factors shape and define, among others, behavior that is appropriate for the role in a particular environment (Cappelli & Sherer, 1991; Johns, 1991). Enactment of family and work roles manifests through work-family interface, which encompasses the positive and negative spillovers that family has on the work and vice versa.

According to work-family and family-work literature, in a work setting an imbalance between work and family is a potential cause of stress, reduced work performance, burnout, and depletion of personal resources (assets valued by the individual that are used to achieve life goals) (Edwards & Rothbard, 2000; Hobfoll, 1989). In general, stress occurs when people are at risk of losing or lose the resources that are valued by the individual (Hobfoll, 2002). Matching the roles of a family member and an employee causes role conflict and requires compromises, i.e., causes a risk of losing resources, while the tension between one role can transfer to the second role (Stoner, Hartman, & Arora, 1990). Such a tension between work and family responsibilities results in a number of negative outcomes, including job dissatisfaction and less discretionary behavior (Eby, Casper, Lockwood, Bordeaux, & Brinley, 2005). Interference between family and work, that is, the work-family conflict, has been reported as a major issue among both working men and women (Kalleberg, 2008). In terms of social interaction, employees who have high family demands often lack the time and energy to develop relationships with co-workers (Knoester & Eggebeen, 2006). In the case of parents with extensive family demands and responsibilities, levels of stress and burnout increase, and work performance decreases (Eby et al., 2005; Erickson, Nichols, & Ritter, 2000; Keene & Reynolds, 2005; Peeters, Montgomery, Bakker, & Schaufeli, 2005). When individuals cannot deliver the demands of one role without compromises in other roles, role conflict occurs (Stoner et al., 1990).

Role theory (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964) captures role dynamics and distinguishes between individual outcomes when a person faces expectations, that are consistent and outcomes, when behaviors expected from a person are conflicting. The existence of role conflict among organizational members tends to create tensions inside organizations worldwide (Memili et al., 2015). While a study by Kalleberg (2008) showed that almost half of men and women confirmed that their jobs and family life conflict, the family business with its overlap of family and business has even greater levels of complexity. In other words, role conflict occurs when an individual is subject to conflicting or competing expectations or demands in an organization or when the principle of chain-of-command is violated (Rizzo, House, & Lirtzman, 1970; Robbins & Coulter, 2002). Different referent persons or groups, i.e., supervisors, peers, or colleagues can also become a source of contradicting expectations and demands for an individual (Graen, 1976).

The root of this complexity can be associated with simultaneous, yet different expectations imposed on family members while performing different types of roles and at different levels (Gersick et al., 1997; Katz & Kahn, 1978b). Classical organization theory (Davis, 1951) suggests a single accountability principle, that is, a person should be accountable to a single superior concerning the successful performance of the task. However, it is barely possible in the family business context, where a family member is accountable to both family as an entity and the business organization. Also, building on arguments by Dyer (1994) family members are likely to experience greater role conflict due to more complex expectations and non-explicit communication of expectations about those roles. For example, as a business member, the individual is expected to follow the business goals of profits, revenues, efficiency and growth, while as a family member, the individual is expected to nurture and support the development of other family members (Dyer, 1992). Eventually, leading family members can be more defensive when dealing with non-family decision makers due to the business (or economic) system being insensitive to family system goals and objectives (Sharma et al., 1996). Additionally, tendencies in a member's personal behavior, such as altruism and willingness to undertake extra functions and work, can be pro bono, enhanced by belonging to the family that runs the business.

This duality of roles, along with the heavy influence of family firm-specific sociopsychological factors, and high levels of reliance on family members' human and social capital to achieve a competitive advantage and ensure the long-term survival, is what primarily differentiates the role conflict experienced by family members in contrast to non-family employees and non-family businesses (Memili et al., 2015). The incompatibility between roles can be resolved or minimized only partly and it is not possible to realistically and completely fulfil the conflicting demands (Memili et al., 2015). Finally, conflicting role expectations and obligations in the family business have a negative effect on performance (Harvey & Evans, 1994; Kellermanns & Eddleston, 2004). Unfortunately, available findings do not cover additional roles that individuals can have in a family business, such as ownership or governance roles (Pieper et al., 2013).

In sum, when an individual acts in both systems simultaneously, such a synthesis of expectations holds a potential context for conflicting expectations and is likely to lead to role conflict. Thus, the family business context can be an even more likely arena of stress and anxiety for family members engaged in the business, since they cannot escape the family entity while they are fulfilling their roles in the business entity. Based on the discussed findings above, it can be further hypothesized, that:

H1$_a$: Non-family employees will exhibit lower degrees of role conflict than family members.

### 1.2. Theoretical grounding of leader-member relationships in family business

As has been pointed out in the previous section, family businesses are unique due to the overlap of family and business systems and, as a result, the social context with added levels of complexity to interpersonal relationships and social interactions. Leader-member relationships are the exact instance where duality of relationships and duality of family member roles may be captured. Building on the key characteristics of the family business as a context discussed above, the following section portrays the rationale for investigation of leader-member relationships in the family business context. The section begins with discussion of leader-member relationships as a manifestation of social context and continues with proposition of role-types of leader-member relationships, social and leader-member exchange as manifestation of leader-member relationships, perspectives on leader-member and ends with presentation of the quality of leader-member exchange as the main measure.

### 1.2.1. Leader-member relationships as manifestations of the social context

Interpersonal relationships and social interaction specifically unfold in leadership, as it concerns activities when multiple individuals are engaged in interpersonal and mutual influence (DeRue & Ashford, 2010). Extensive research during the last four decades has confirmed that the relationship between the leader and member (direct subordinate) is a main driver of a number of individual level outcomes, including job effectiveness, attitudes, and retention (Gerstner & Day, 1997). These findings hold true for family businesses just like any regular form of organization. However, leader-member relationships in family businesses, due to the family dimension, capture a unique setting. I suggest that based on a number of arguments, leader-member relationships are an important entity to study from two perspectives: (1) they can unveil the added levels of complexity of leader-member relationships that cannot be analyzed in other forms of organizations, and (2) leader-member relationships are an instance that encapsulates family business specifics as a social context, that was discussed in the previous sections.

Firstly, both familial and non-familial relationships can exist in leader-member relationships, as they can take place between family members or a family member and a non-family member. Then, the differences in relationships with regard to existence or non-existence of familial ties can be observed. Secondly, the duality of roles and the spillover from family to the business system can be traced. Family members often occupy high organizational roles (Davis & Harveston, 2001; Dulebohn et al., 2012) and thus, it is common that leadership positions in the company are held by a family member. Family influence and control is hence also transmitted through leadership. When the family business is run by its founder, this effect can be even stronger as the leader can leave an imprint on the business that lasts beyond his or her tenure for generations, termed “founder’s shadow” (Davis & Harveston, 1999). Since the family leader has to balance family and business goals (Ward, 1997), the duality of his roles entrench. The family member is a follower in this relationship but also acts from a dual perspective.

Third, relationships between leader and member can provide signals for development and control of human resource management in family businesses. In the case when leaders differentiate in leader-member relationships, the members are likely to engage in social comparison with focal individuals (other members) to thus acquire the perception of their relative standing (Festinger, 1954). Non-family employees, who can find themselves in uncertain and complex situations since they do not belong to the family (Mitchell et al., 2003), can be especially sensitive to such comparisons. Relative standings derived from social comparisons can affect attitudes, aspirations, and behavior (Wood, 1989). As a result, non-family employee perceptions about the leader-member relationship quality may influence their perceptions about organizational issues, such as culture, justice, fairness of human resource management practices, and so on. Analysis of differentiation in leader-member relationships can provide valuable information for human resource management.

Based on this rationale, I further suggest leader-member relationship analysis in family business to be one of the key objects of investigation in family business research on relationships. While organizations today often are complex, and family businesses are complex by nature, the central aim of leadership is to create positive conditions and foster social capital as a prerequisite to successful organizational outcomes. Increased understanding of leader-member relationships can inform strategic management and human resource management topics of family business, such as building of social capital and family social capital or development of resource management programs.

### 1.2.2. The concept of the leader-member relationship and exchange

In this section, I present the approach to leader-member relationships and concepts employed in this study. The following discussion is structured according to the main tenets driving this study: the concept of leadership, leader and member, relational approach to leadership, and social exchange as a manifestation of interpersonal and leader-member relationships.

*The concept of leadership, leader and member*

To date, there is no explicit concept of leadership in the family business, although due to the overlap of two systems that was already discussed above, the concept of family business leadership calls for a definition that would entail both systems. Thus, in order to conceptualize leadership in this context, I mainly draw upon definitions of leadership in organizations, which is a more embracing concept than leadership in business. The definition that is used in this dissertation will be presented in the end of section, upon summary of existing leadership concepts and the driving arguments for the selection of a particular definition.

In the 1970s, Ralph Stogdill noticed, that there are as many definitions of leadership as those who have tried to define it. Today, 45 years later, the situation has barely changed. With more than 200 definitions of leadership, vast research on leadership never lacks criticism due to its abundance on the one side and limited definite knowledge on the other side. To illustrate this situation, an overview of a number of definitions from different years is provided in Table 2.

**Table 2. Overview of leadership definitions and key arguments**

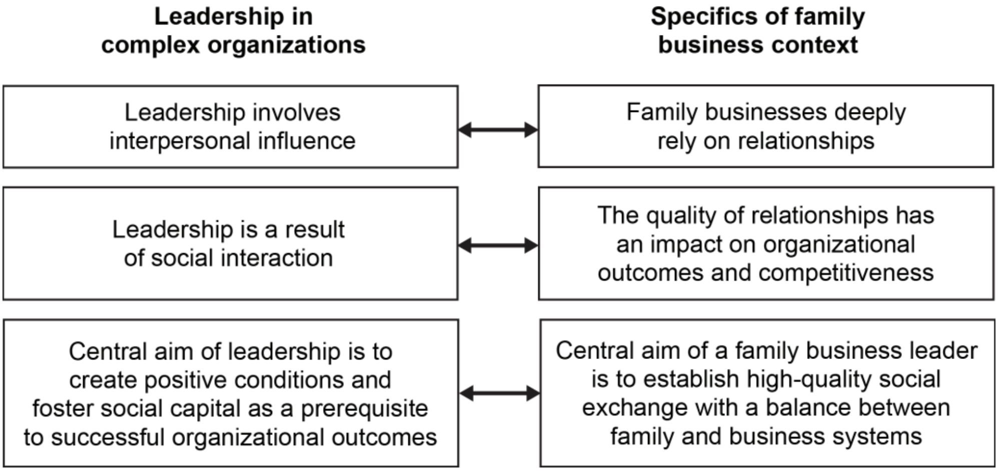
| Central argument | Definition | Authors |
|---|---|---|
| **Process, influence, common goal, interaction** | Leadership may be considered as the process (act) of influencing the activities of an organized group in its efforts toward goal setting and goal achievement. Leadership is the initiation and maintenance of structure in expectation and interaction. | Stogdill (1950, p. 3); Stogdill (1974, p. 411) |
| **Common goal, influence** | Leadership is the behavior of an individual when he is directing the activities of a group toward a shared goal. | Hemphill and Coons (1957, p. 7) |
| **Interpersonal influence, context, social interaction, goal(s)** | Leadership is interpersonal influence, exercised in a situation, and directed, through the communication process, toward the attainment of a specified goal or goals. | Tannenbaum, Weschler, and Massarik (1961, p. 24) |
| **Influence** | Leadership requires using power to influence the thoughts and actions of other people. | Zaleznik (1977, p. 74) |
| **Influence** | Leadership is the influential increment over and above mechanical compliance with the routine directives of the organization. | Katz and Kahn (1978a, p. 528) |
| **Process, interpersonal influence** | Leadership is a process of influence between a leader and those who are followers. | Hollander (1978, p. 1) |
| **Process, influence** | Leadership is an influence process that enables managers to get their people to do willingly what must be done, do well what ought to be done. | Cribbin (1981, p. 13) |
| **Process, influence** | Leadership is the process of influencing the activities of an organized group toward goal achievement. | Rauch and Behling (1984, p. 6) |
| **Influence, creation of positive settings, facilitation** | Leadership is about articulating visions, embodying values, and creating the environment within which things can be accomplished. | Richards and Engle (1986, p. 206) |

| Central argument | Definition | Authors |
|---|---|---|
| **Process, influence, common goal** | Leadership is the process of influencing the activities of an individual or a group in efforts toward goal achievement in a given situation. | Hersey and Blanchard (1988, p. 86) |
| **Social interaction, context, influence** | Leadership is an interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perceptions and expectations of members. | Bass and Stogdill (1990, p. 19) |
| **Process, influence** | Leadership is a process of giving purpose (meaningful direction) to collective effort, and causing willing effort to be expended to achieve purpose. | Jacobs and Jaques (1990, p. 281) |
| **Social interaction, influence** | Leaders are individuals who establish direction for a working group of individuals who gain commitment from this group of members to this direction and who then motivate these members to achieve the direction's outcomes. | Conger (1992, p. 18) |
| **Common goal, influence** | Leadership is the art of mobilizing others to want to struggle for the shared aspirations. | (Kouzes & Posner, 1995, p. 30) |
| **Influence, social interaction, goal** | Leadership is the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organization. | House et al. (1999, p. 184) |
| **Process, influence, common goal** | Leadership is a process whereby an individual influences a group of individuals to achieve a common goal. | Northouse (2001, p. 11) |
| **Process, influence, social interaction, common goal** | The process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives. | Yukl (2006, p. 8) |
| **Social interaction, process, continuity, influence** | Leadership is a social interaction process where individuals engage in repeated leading–following interactions, and through these interactions, co-construct identities and relationships as leaders and followers. | DeRue (2011, p. 126) |

Regardless of the formulation and year of origin, various definitions share key ideas. Stogdill (1974) defined leadership as “a process of influencing the activities of an organized group toward goal-setting and goal achievement” and is a process “by which the leader influences his followers to achieve group objectives” (p. 411). The definitions by Northouse (2001) and Yukl (2006) support this statement. Northouse (2001) defines leadership as “a process whereby an individual influences a group of individuals to achieve a common goal” (p. 11) and Yukl (2006) defines leadership as the “process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives” (p. 8). The latter definition stresses collective efforts and the facilitating role of a leader. A prevailing definition of leadership thus stems from conceptualization of it as a social process of reciprocal influence towards a common collective goal (Yukl, 2006). More recently, DeRue (2011) defined leadership as “a social interaction process where individuals engage in repeated leading–following interactions, and through these interactions, co-construct identities and relationships as leaders and followers” (p. 126). Finally, Northouse (2012) concludes, that despite the differing notions of leadership, there are four central components to be identified: “(a) Leadership is a process, (b) leadership involves influence, (c) leadership occurs in groups, and (d) leadership involves common goals” (p. 5). In spite of shifting paradigms and perspectives on leadership, interaction has been and remains at the core of the notion of leadership (Marion & Uhl-Bien, 2001).

The key implications from this discussion are several. Firstly, despite the fact that definitions of leadership exist in abundance, all of them share a major tenet – leadership is all about influence. Secondly, the portrait of a “heroic” leader can no longer be of the great importance it once had in leadership research. These two implications directly echo in the context of family businesses, which, as discussed, are largely dependent on the quality of interpersonal relationships and social interaction. Third, leadership is rather a derivative of interactions than a single person, i.e., the leader does not equal leadership and on a micro-level (meaning, leadership *in* organization) (Marion & Uhl-Bien, 2001), the interaction primarily considers two actors and their relationship. This third implication shapes the further study by calling for a relational approach to leadership as a lens. The key findings on leadership with regard to the family business context are summarized in Figure 5.

**Figure 5. Leadership in the family business context**




Source: developed by the author, based on extant findings discussed in previous sections

For the purpose of this dissertation, I adapt the definition of leadership by DeRue (2011), according to which leadership is regarded as “a social interaction process where individuals engage in repeated leading–following interactions, and through these interactions, co-construct identities and relationships as leaders and followers” (p. 126). In the family business context this definition should be augmented with regard to the goal of the dual system of family and business. According to Billsberry (2009), there is no widely accepted truth about leadership since leadership is a reality construction process. Families in business draw themselves from two discourses – family and business – when speaking about themselves and making sense of themselves and their world (Budge & Janoff, 1991). Thus, I suggest, that a revised, more specific definition of leadership in family business would be “Leadership is a social interaction process where individuals engage in repeated leading–following interactions, and through these interactions, co-construct identities and relationships as leaders and followers while navigating between family and business systems.”

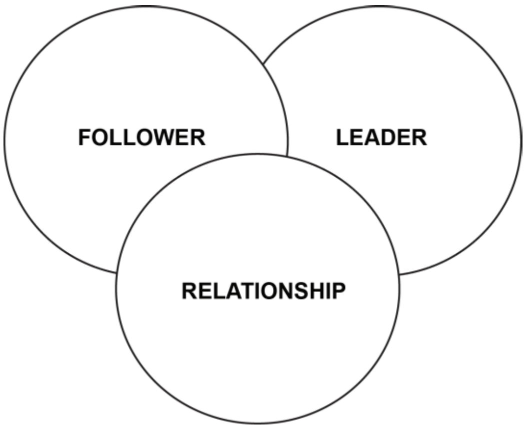
The terms “leader” and “manager” are used interchangeably in management literature (Yukl & Van Fleet, 1992). Extensive analysis of family business research confirms that researchers in the field follow the same tradition. The final definitions of leadership and leader employed in this dissertation come as a particular trade-off between theoretical and operational definitions. On the one hand, I follow the theoretical notion of leadership and leader. On the other hand, I use the operational definition and consider the managing directors of family businesses as leaders based on several causes. Firstly, modern organizations demand higher or senior level managers to be leaders. Secondly, the focus of Leader-member exchange theory is the quality of exchange between an employee (subordinate) and his or her direct manager (Graen & Scandura, 1987). Third, existing findings in family business research related to leadership mostly stem from the leader's definition as equal to the manager's definition. The need to determine theoretical rigor and enable the comparison of findings highlights these two latter causes. Fourth, if control over the company mainly belongs to one family member, he or she is likely to become the dominant individual (Tagiuri & Davis, 1992), which directly refers to the leadership position.

For the reasons above, within the framework of this study, a leader is considered to be the person who holds a top management position, typically referred to as the managing director of a company. The member (or follower) is the direct subordinate of the top manager/managing director of the company. For the purpose of cohesive empirical analysis, the study considers leaders as those who are family members and members (followers), who are either family members or non-family employees.

### ***Relational approach to leadership***

The analysis of leadership *in* organizations, or micro-level enquiry (Marion & Uhl-Bien, 2001) at its initial level, calls for a relational perspective, involving both leader and follower (or member), or, as Hollander (1992) submitted, leaders and followers must be understood in relation to each other. A brief overview of leadership research domains is provided in order to map the relational perspective on leadership among other approaches. The traditional representation of leadership research domains includes leader and follower and the relationship between the two (Graen & Uhl-Bien, 1995) (Figure 6).

**Figure 6. Leadership research domains**




Source: Graen & Uhl-Bien, 1995, p. 221

Respectively, research can undertake the following different approaches (Graen & Uhl-Bien, 1995):

1. Leader-based domain, with critical questions as to what is the proper mix of leader characteristics that would promote desired outcomes;
2. Follower-based domain with questions focusing on the proper mix of follower characteristics and behavior that would promote desired outcomes;
3. Relationship-based perspective that focuses on the dyadic relationship between the leader and follower with a primary question of the proper mix of relational characteristics that would promote desired outcomes.

Within the landscape of empirical studies on leadership over 25 years, more than 50% of all studies emphasized individual level outcomes (DeChurch, Hiller, Murase, Doty, & Salas, 2010; Hiller, DeChurch, Murase, & Doty, 2011). Thus, for decades research concentrated on a "vertical model," meaning that traditional models of leadership involve downward hierarchical structure, where influence is top-down on subordinates from the appointed or elected leader (Pearce & Sims, 2002). The pitfall arises not from the focus on the leader-follower, however, but rather from the search of a "heroic leadership" that addresses the individual leader above all. The research review by Judge, Piccolo, and Kosalka (2009) highlights how previous studies are oriented towards construction of an “ideal” leader’s portrait with the most favorable characteristics.

The relationship-based (sometimes also referred to as relational) perspective is still resonant with the more recent idea, that, currently, the field is evolving into a more holistic view of leadership (Avolio, Walumbwa, et al., 2009). For example, Kellerman (2004) urges researchers to “resist the dominant model – the leader-centered model – and embrace a more holistic one. . . Leaders should be looked at only in tandem with their followers” (p. 226). Historically, leadership, despite perceptions of the leader’s role, has been regarded as an influential relationship between the leader and his follower(s) or subordinate(s). Thus, research on leadership has been concentrated on a single individual as a leader, and his or her followers or subordinates (Yukl, 2002; Raelin, 2003). As Purdue (2001) has noted, “leaders may be viewed primarily in terms of their ability to transform their situation or in terms of the pattern of their transactions with their followers” (p. 2213). In the vein of these arguments and the object of study, that is leader-member relationships, the relational (or relationship-based) approach is selected for this study.

***Social exchange as a manifestation of any interpersonal relationships***

The elements of a relationship, such as actions, feelings, thoughts, and the like, as well as their properties and the causal connections between parties involved in a relationship, are related to interdependence (Kelley et al., 1983). Thus, “all investigations of dyadic relationships deal with data that derive in some way from the two causally interconnected chains” and “all theories and hypotheses about such relationships involve conceptual terms that refer in some way to the interdependence between the two chains” (Kelley et al., 1983, pp. 31-32). Social exchange (Blau, 1964) is a theoretical foundation to analysis of both family (e.g. Stamp, 2004) and employer-employee (Barnard, 1938; Coyle-Shapiro & Shore, 2007; March & Simon, 1958) relationships and exchange. In 1959 Thibaut and Kelley already noted that interpersonal relationships, including family relationships, involve an exchange of resources and evaluation of costs and rewards associated with the relationship. These resources can include information, feelings, services, goods and the like. The evolvement of expectations in social exchange, that the individual will provide some future return, (Blau, 1964) is related to the psychological contract (Coyle-Shapiro & Conway, 2004). The psychological contract captures the individuals’ beliefs about mutual obligations in employer-employee relationships (Rousseau, 1990). The topic has become especially sensitive from employee perspectives with the rise of the “new psychological contract” that stems from lower commitment of organizations to care of their employees (Lee, 2001; Porter, 2005). Thus, analysis of leader-member relationships in family businesses that involve both family and employer-employee relationships, will further rely on the leader-member exchange approach, which is originally based on social exchange.

### 1.2.3. Role types of leader-member relationships in family businesses

The leader-member relationship, likewise the leader-follower relationship, is a unique relationship that a leader develops with every follower (adapted from Liden, Sparrowe, & Wayne, 1997). In order to explore the types of leader-member relationships that exist in family businesses, I propose a working leader-member relationship typology. Building on the model of bivalent attributes in the family firm (Tagiuri & Davis, 1996) and the literature on the overlap of family and business systems (Dyer, 1992; Melin, Nordqvist, & Sharma, 2013; Sirmon & Hitt, 2003), in a family business context, a person can be a non-family employee or a family member, what causes distinctive complexity in the family business roles in contrast to non-family business and non-family employees (Sharma, Hoy, Astrachan, & Koiranen, 2007; Zachary, 2011). Four types of roles that every family business employee can enact are distinguished. Respectively, a matrix of different role configurations in relationships translates into four types of leader-member relationships. I further label them as “role-types” of leader-member relationships in order to reflect the exact aspect that they capture in Table 3. This differentiation is primarily based on an individual’s belonging to the family and/or management. The ownership element, that is, an individual’s possession of ownership rights of the company may play a specific role, especially in the case of the leader (Villalonga & Amit, 2006). However, just as the interaction of family system with business and management system determine uniqueness of family businesses (e.g., Gersick, 1997; Tagiuri & Davis, 1992), leader-member relationships in family business are mainly built on the family or work (business, management) domains with respective roles enacted by individuals. Therefore, ownership is not included in this typology, although it can be added as a variable to any analysis that employs these role-types.

**Table 3. Role-types of leader-member relationships in the family business context**

| | Leader – managing director, family member | Leader – managing director, non-family member |
|---|---|---|
| Member (follower) – non-family employee | LMR1 | LMR3 |
| Member (follower) – family member employed in the business | LMR2 | LMR4 |

Source: Developed by the author

Relationships in which both individuals are non-family members (LMR3), represent a leader-member relationship that can be normal in non-family businesses. LMR4 role-type of relationships presents an interesting issue for study. In this case, the leader is a hired top-level manager, termed "professional management" (Dyer, 1989) in a family business, who is accountable to the owners and a board of directors of the company. The major part of the ownership rights and control by definition belong to the family (e.g. Astrachan & Shanker, 2003; Chittoor & Das, 2007). When a member in a leader-member relationship belongs to the family, the non-family leader is facing a setting where he is surrounded by the managing family both on the superior (governance) and subordinate (member) levels. This context can pose a set of interesting research questions. However, the non-family leader is often deemed to be a professional remedy for increasing "rationality" and "objectivity" in the family business (Gersick et al., 1997; Hall & Nordqvist, 2008) and reducing the agency costs between owners and managerial agents and minority and majority owners from perspective of the agency theory (Anderson & Reeb, 2003; Anderson & Reeb, 2004; Fama & Jensen, 1983; Morck & Yeung, 2003). Hence, this type of relationship, although interesting for research, does not fully reflect the challenges of the family business context. In practice, family businesses often lack professional management (Chandler, 1990), rely on family members for executive succession (Breton-Miller et al., 2004), and involve multiple family members after the first two to three decades (Gersick et al., 1997). Once the business employs family members, the entrepreneur is challenged by problems whether to integrate or separate family and business systems (Dyer, 1992). This two-system challenge adds complexity to leader-member relationships and is likely to manifest in LMR1 and LMR2 role-types of relationships. Thus, non-familial (LMR1) and familial (LMR2) role-types of leader-member relationships are analyzed in this study. The differences in effects that these role-types of leader-member relationships play in leader-member exchanges are discussed in the next sections.

### 1.2.4. Perspectives on leader-member exchanges

Uhl-Bien (2006, p. 671) argued, that "leadership is relational, and cannot be captured by examination of individual attributes alone". In management discipline, the quality of social exchanges between a leader and member is evaluated via Leader-Member Exchange Theory (LMX), which is one of the dominant leadership theories among researchers (Dienesch & Liden, 1986; Erdogan & Liden, 2002; Gerstner & Day, 1997). Over the period of 25 years, 7% of leadership studies have had a major focus on LMX (DeChurch et al., 2010; Hiller et al., 2011). In comparison, the studies on leadership with a focus on strategic (macro-level) leadership have constituted 25%, leadership behavior - 25%, traits - 17%, transformational leadership - 10%, shared leadership - 0.4%. Furthermore, LMX is considerable in light of recurrent critiques of existing leadership studies, which highlight, among other points, that they focus too much on leaders and followers (Avolio, 2007; DeRue & Ashford, 2010; Hosking, 2006, 2007; Zaccaro & Klimoski, 2002). LMX overcomes this limitation through a focus on the relationship-based approach. Different from other theories, LMX focuses on the unique relationships that a leader develops with every follower (Liden et al., 1997). Thus, LMX theory captures the operationalization of the relationship-based perspective (Graen & Uhl-Bien, 1995).

The unit of analysis in LMX is the exchange between supervisor (leader) and subordinate (member). The leader-member exchange has a particular focus on leader-member relationships and maximizing the success of an organization as a result of positive relationships. At early stages of LMX theory development, Graen and Cashman (1975) stated that supervisors treat their subordinates differently due to limited resources and time. The members of high-quality relationships with leaders are part of an in-group, while the members of low-quality relationships are part of an out-group (Graen & Scandura, 1987). LMX relationships have impact on the employees' work attitudes and behavior (Gerstner & Day, 1997). Overall, in comparison to out-group subordinates, in-group subordinates not only perform their work according to the contract but can also perform unstructured tasks, undertake additional responsibilities or perform extra work when necessary, and so forth. This results in a higher reciprocal trust level between a supervisor and subordinate, positive support, bonds, loyalty, satisfaction, greater degree of autonomy, job latitude, and open communication (Dansereau et al., 1975; Dienesch & Liden, 1986; Graen & Uhl-Bien, 1995). Differentiation in the leader-member exchange largely relies on interpersonal factors (Henderson, Liden, Glibkowski, & Chaudhry, 2009; Liden, Wayne, & Stilwell, 1993).

In the family business context, an in-group may refer to family members and out-group to non-family employees, who may receive differential treatment from their leaders (Pearson & Marler, 2010). As Pearson and Marler (2010) propose, leaders may have differing exchanges with their members based on family or non-family status. In extension of these outcomes, positive outcomes are observed on an organizational level. The behavior of the member will largely depend on his or her perceptions about the quality of exchanges in comparison to other dyads around, in which the leader, colleagues, and peers are involved (Henderson et al., 2009). In turn, these perceptions will shape his or her behavior.

The exchange between leader and member can be conceptualized in multiple similar, yet distinct theoretical ways: the vertical dyad linkage and the social leader-member exchange. The first perspective already mentioned above – LMX – considers the leader-member relationship as a vertical dyad linkage. Despite that LMX theory involves the exchange component in the title, it mainly considers a relationship as a linkage. Yet, a stream of research develops where authors (Bernerth et al., 2007; Shore et al., 2006) stress the exchange component and thus refer to e.g., the quality of a relationship as a result of exchanges between a leader and member. The second perspective focuses on social exchange rather than a dyadic linkage and distinguishes between two types of exchange: economic and social. The grounding of these approaches is further explained in the next sections.

### 1.2.4.1. Leader-member exchange as a vertical dyad linkage

Leader-Member Exchange Theory (LMX) is one of the feasible theoretical lenses to investigate the leader-follower dyads and is rooted in role theory (Dienesch & Liden, 1986; Graen, 1976; Kahn et al., 1964; Scandura et al., 1986) and social exchange theory (Blau, 1964). The importance of linkages and interactions is encapsulated by social exchange (Blau, 1964; Homans, 1958; Masterson et al., 2000; Settoon, Bennett, & Liden, 1996) and relational leadership theories (Graen & Uhl-Bien, 1995; Uhl-Bien, Graen, & Scandura, 2000). Microlevel or dyadic and small group exchanges are addressed by these theories (Marion & Uhl-Bien, 2001). They do so through the focus on effective work relationships via building dyadic relationships (Uhl-Bien et al., 2000).

Effective work relationships stem from building dyadic relationships and concern outcomes that are necessary for organizational functioning (Gerstner & Day, 1997). The background for LMX theory was paved with the Vertical Dyad Theory (Dansereau et al., 1975), which predicted that managers would treat their direct employees differently. In 1976, Graen moved beyond role-taking model by Katz and Kahn (1966), which focused on the process where employees accepted roles that were prescribed by their employer and employer's agent. The role-making model suggested that actor, behavior, and context variables could increase the probability that employees would form alliances that were instrumental in causing them, their managers, and their co-workers to change their roles. The main tenet of LMX is that as leaders initiate social exchanges by bestowing favorable treatment upon certain members (Graen & Uhl-Bien, 1995), members in turn feel obliged to work harder to benefit the leader as a means of reciprocation (Liden et al., 1997). From a social exchange perspective, the continuous exchange of favors results in long-term rewarding relationships (Cropanzano & Mitchell, 2005).

LMX theory assumes that leader-member or supervisor-subordinate relationships fall along a continuum ranging from low-quality relationships to high-quality relationships (Graen & Scandura, 1987; Graen & Uhl-Bien, 1995; Liden et al., 1997). Low-quality relationships rely on a transactional part, while high-quality relationships are based on respect, trust, obligation, mutual liking (Graen & Uhl-Bien, 1995). However, reactions of the individuals involved in a relationship have an effect (Uhl-Bien, 2006) and the same leader and follower behaviors or characteristics will not produce a relationship of the same quality or equivalent outcomes in all dyads

(Dulebohn et al., 2012). With regard to the norm of reciprocity (Foa & Foa, 1980; Gouldner, 1960), the parties within a social exchange understand that a favor received in the present raises an expectation of some reimbursement or repayment in the future. Such a repayment can be applicable to both economic and non-economic gains. As an example, care from one exchange party can raise a sense of indebtedness from the other party. As a result, positive and beneficial attitudes and behaviors are directed toward the partner who provides care. Yet, the social exchange theory, which LMX originates from, suggests that recipients of positive actions experience a sense of indebtedness (Graen & Uhl-Bien, 1995). As LMX has advanced, it has been suggested that not only leaders develop different relationships with their followers, but also that they should seek to develop high quality relationships with all of their followers or as many as is possible (Graen, 2003).

Social exchange theory (Blau, 1964), when applied to explain dyadic relationships and their development as well as linkages between processes and outcomes, leads to the presumption that subordinates reciprocate in a way that is consistent with the leader's values (Ilies, Nahrgang, & Morgeson, 2007). According to Uhl-Bien and Maslyn (2003, p. 529), higher quality relationships call for a great investment of time and energy; therefore, both managers' and subordinates' decisions to invest this time should be considered "relative to the need for performance or the need for more discretionary, or attitudinal, types of behaviors".

Despite that LMX theory is well-established, the concepts of LMX adopted in different studies diverge, causing a lack of theoretical rigor. The LMX construct has been criticized for validity problems, along with varying measures used in the studies without explanation, and the analytic procedures that were not aligned with the theory being proposed and tested, causing fundamental problems and evoking a question concerning the usefulness of substantive, oriented synthesis of the LMX literature (Schriesheim, Castro, & Cogliser, 1999). Despite that the inception of LMX theory dates back to circa 1975, perhaps the first concrete systematic definition was provided by Scandura et al. (1986, p. 580):

> Leader-member exchange is (a) a system of components and their relationships (b) involving both members of a dyad (c) involving interdependent patterns of behavior and (d) sharing mutual outcome instrumentalities and (e) producing conceptions of environments, cause maps, and value.

More recently, Yukl (2006, p. 117) denotes LMX as the "the role making processes between a leader and each individual subordinate and the exchange relationship that develops over time". As the focus of this dissertation rests with relationships of members in the dyads, outcome instrumentalities and produced conceptions, the definition by Scandura et al. (1986) is used in this study.

#### 1.2.4.2. Social and economic leader-member exchanges

The vertical dyad linkage is widespread throughout leader-member relationship research and has become a default conceptualization of leader-member exchanges. Due to this reason, it is commonly referred to as LMX. As noted earlier, this approach is based on the degree of latitude that supervisors grant their subordinates in negotiating work roles (Dansereau et al., 1975). Some critique has been expressed towards LMX theory, questioning whether it really represents and measures relational dimensions, what is claimed in the theory, since a single measure of the relationship quality has been used extensively while not taking into account the social exchange component (Dansereau et al., 1995; Dienesch & Liden, 1986; Liden & Maslyn, 1998; Liden et al., 1997; Rousseau, 1998). Despite that the definition of leader-member exchange (Scandura et al., 1986) introduced above is applicable for both approaches, the social leader-member approach slightly differs conceptually from LMX theory. It accepts both social and economic exchange as two distinct types of exchange and does not rate them as high-low quality relationships.

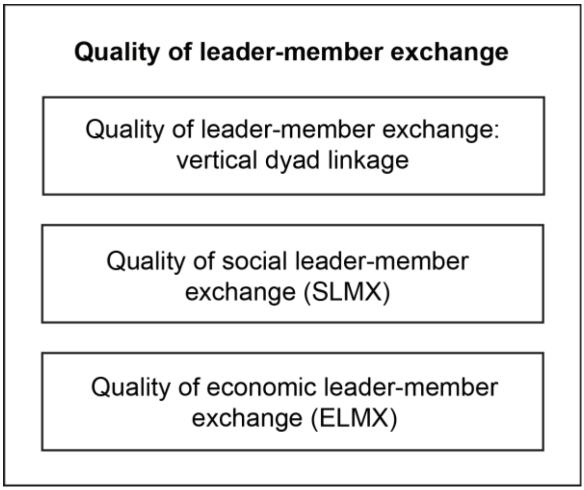
In social exchange relationships, social transactions may coexist with economic transactions (Cropanzano & Mitchell, 2005) and even high-quality LMX relationships can involve a transactional aspect (Uhl-Bien, Marion, & McKelvey, 2007). Based on a number of authors who apply social exchange theory to LMX (Coyle-Shapiro & Conway, 2004; Masterson et al., 2000; Shore et al., 2006; Wayne, Shore, & Liden, 1997; Wilson et al., 2010), it can be concluded that LMX relationships can be both viewed as social and economic. A dyadic social exchange process can start with rather limited social transactions and can develop into an exchange involving more social transactions.

The leader-member exchange involves three aspects: (1) the return in social exchange is unspecified; (2) the social exchanges occur with solely a general expectation about some future return with no specific nature and so, it is upon the giving person to decide what to give in return; (3) social exchange is more observable and concrete than general feelings since it is a behaviorally oriented construct (Bernerth et al., 2007; Graen & Uhl-Bien, 1995; Liden et al., 1997). According to Blau (1964), social exchange implies that as individuals act in ways that benefit others, an implicit obligation for future reciprocation is created, and the exchange relationships may come in two types: (1) economic exchanges that are contractual in nature and include the exchange of the exact quantities specified in advance; and (2) social exchanges that involve the exchange of diffuse, future obligations, which are vaguely specified and occur over a less specified time frame.

*Social leader-member exchanges.* Building on the works of Blau (1964), social exchange involves feelings of personal obligation, gratitude, and trust. They are characterized by a long-term orientation, where the exchanges between leaders and followers are ongoing and based on feelings of diffuse obligation, less in need of an immediate "pay-off" (Blau, 1964; Cropanzano & Mitchell, 2005; Cropanzano, Rupp, Mohler, & Schminke, 2001; Shore et al., 2006; Walumbwa et al., 2011). A standard of value against which gifts, favors, or contributions can be measured is missing in social exchange (Blau, 1964). In Social leader-member exchange (SLMX), the emphasis is put on socio-emotional aspects of exchanges, such as give and take and being taken care of, and the exchange partners trust that the other partner will reciprocate and thus corresponds to the traditional notion of LMX (Walumbwa et al., 2011). In a high-quality SLMX, members will reciprocate with their leaders accompanied by gratitude, respect, and trust (Uhl-Bien & Maslyn, 2003).

*Economic leader-member exchanges.* Economic leader-member exchange (ELMX) relationships have more marketplace, transactional, and contractual character and do not imply long-term or open-ended and diffuse obligations. As Kuvaas, Buch, Dysvik, and Haerem (2012) conclude upon works by Blau (1964), Shore et al. (2006), and Walumbwa et al. (2011), these exchanges "rest upon downward influence, formal status differences and discrete agreements, and they demand repayment within a particular time period, involve economic or quasi-economic goods, and are motivated by immediate self-interest […] In such relationships, emphasis is on the balance between what one gets from the relationship and what one gives, […] that is, an employee can go beyond the call of duty, but not unless he or she knows exactly what to get in relatively immediate return" (p. 761). Moreover, economic exchange is based on explicit conditions of how and when each party will fulfil his or her obligations and includes specific equivalents to values, gifts and other goods. The material component is thus the basis of economic exchange. The employment contract in this type of exchange is the basis for behaviors by both leaders and members as “the process is not really leadership; it is closer to managership or supervision” (Graen & Uhl-Bien, 1995, p. 238). The approaches to the quality of leader-member exchange in this study is summarized in Figure 7.

**Figure 7. Approaches to the quality of leader-member exchanges in this study**




Source: Developed by the author

### 1.2.4.3. Quality of leader-member exchanges

***Integration of perspectives on leader-member exchanges***

Despite that the LMX theory, which considers the leader-member exchange as a vertical dyad linkage, is a dominant one, a recent stream of research (Bernerth et al., 2007; Coyle-Shapiro & Conway, 2004; Masterson et al., 2000; Shore et al., 2006; Wayne et al., 1997; Wilson et al., 2010) takes into consideration a critique of this theory. The critique focuses on the argument that LMX theory and scales, which are developed in its framework, measure negotiation latitude exclusively, and not social exchange (Bernerth et al., 2007).

Researchers have typically opposed social and economic exchange by employees. However, the study by Shore et al. (2006) confirmed that exchanges embedded in relationships between employees and organizations can be both social and economic. Bernerth et al. (2007) also introduces a conceptually different approach to analyze the leader-member exchange. Their approach to leader-member exchange is more accurately based on social exchange theory and with respect to reciprocity relies not on the leader's, but on the member's perceptions in contrast to most scales used in a classical LMX theory. Social leader-member exchanges thus measure "different, as well as the same, components of the supervisor-subordinate relationship as previous scales while being more theoretically consistent with the notion of social exchange" (Bernerth et al., 2007, p. 979). While the specific scales will be discussed in the methodology chapter of this dissertation, I further explain the underlying rationale for employing both perspectives on leader-member exchanges.

To date, there is still no consensus on whether analysis and measurement of the leader-member exchange as a social leader-member exchange (SLMX) in contrast to a vertical dyad linkage (LMX) approach yields more accurate results. However, with regard to existing discussion on the two and the tenets of LMX theory, the social leader-member exchange can be considered as an equivalent to the high quality of the leader-member exchange as a vertical dyad linkage, and the economic leader-member exchange – as an equivalent to the low-quality of LMX. In this vein, the measurement of the quality of leader-member exchanges in the same dyad should yield similar results regardless of the employed perspective – vertical dyad linkage (LMX) or social leader-member exchange (SLMX). On the other hand, the results should be the opposite when the quality is measured from a vertical dyad linkage

(LMX) perspective and the economic leader-member exchange (ELMX). In other words, the greater quality of LMX should be in line with the greater quality of SLMX. The lower quality of LMX should be associated with the greater quality of ELMX.

Building on these grounds, I further question whether employment of social leader-member exchange as a perspective provides more specific results than traditional LMX theory. Throughout the subsequent analysis, I thus analyze the quality of leader-member exchanges in the same dyads from three perspectives – LMX, SLMX, ELMX – and compare the results. The initial assumptions about the similarities or differences with regard to perspectives are also embedded in hypotheses that are raised further. Results of this comparison are aimed at increasing the knowledge (1) whether there is a difference in results with regard to perspective applied for analysis; (2) whether the traditional LMX theory unquestionably provides a stable framework for leader-member exchange analysis in the family business context.

***The influence of role-types of leader-member relationships on the quality of leader-member exchanges***

Based on the specifics of non-familial (LMR1) and familial (LMR2) role-types of relationships, I further hypothesize that the quality of leader-member exchange may differ with regard to the role-type of leader-member relationships. Discussion begins with explanations of how leader-member relationships are formed and developed.

LMX theory articulates the development of a work relationship between the supervisor and the subordinate. LMX researchers proposed various models of this process (Dienesch & Liden, 1986; Graen & Scandura, 1987; Graen & Uhl-Bien, 1995). In their role-making model Graen and Scandura (1987) identified three phases of LMX: role-taking, role-making, and role routinization. As noted in the model by Dienesch and Liden (1986), when the relationship is in an early stage and the available information is limited, the exchange between the parties in the exchange may be affected by demographic and personal characteristics. Thus, at first, during the role-taking phase, the leader assesses the member’s motivation by making a request or assigning a task and evaluating his or her behavior and performance. This way, the potential role-taking phase is also assessed. If the relationship between the leader and subordinate continues to develop, it becomes stronger and more defined during the next, role-making phase (Bauer & Green, 1996; Graen & Scandura, 1987). This phase also entails relationship development into a high-quality exchange, once the leader assigns an unstructured task to the subordinate as an opportunity, and the subordinate accepts it (Liden et al., 1997). The final phase, during which the understanding between the parties and clear expectations are formed, is role-routinization. After role-routinization the quality of exchange remains stable (Liden et al., 1997).

A more recent approach to leader-member exchange, the leadership-making model (Graen & Uhl-Bien, 1995), complements the traditional role-making model. Within this model, the initial phase of the relationship is the stranger phase during which the leader and member begin to interact on a formal basis while enacting their roles in the organization. As this exchange follows a largely economic, “cash-and-carry” pattern (Graen & Uhl-Bien, 1995) and lacks commitment or caring (Liden et al., 1997), it is considered to be of low quality (Scandura & Pellegrini, 2008). The second, acquaintance phase, occurs after a career-oriented exchange between the parties, and is characterized by sharing information on work (professional) and personal levels. If the relationship is not developed further, it may return to the stranger phase (Graen & Uhl-Bien, 1995). The final phase of the relationship development is the mature partnership, which, in addition to behavior, entails an emotional component and growing expectations between the parties towards each other, such as trust, respect and alike. On the leader’s side, these may include assistance from the subordinate, while the subordinate may look forward to support and encouragement from the leader. This final phase is considered to be a high-quality leader-member exchange (Graen & Uhl-Bien, 1995).

The family business presents as a special context due to the nature of relationships that may exist between leaders and members. The characteristics associated with particular phases of leader-member relationships are further discussed and summarized for LMR1 and LMR2 role-types of relationships building on the leadership-making model by Graen & Uhl-Bien (1995) in Table 4.

**Table 4. The differences in leader-member relationships in the family business**

| Relationship between leader and follower who are family and non-family members (LMR1 role-type of relationship) | Relationship between leader and member, both of whom are family members (LMR2 role-type of relationship) |
|---|---|
| **1. Stranger phase** | |
| Characterized as low-quality LMX due to absence of caring and commitment. | Typically, family-based relationships are characterized as involving caring and commitment. Therefore, the stranger phase is typically non- |
| **2. Acquaintance phase** | |
| Leader and member begin to share information on work (professional) and personal levels. This is a critical stage because dyads that do not develop may return to the stranger phase (Graen & Uhl-Bien, 1995). | Family members typically already share great information on both personal and work levels. Therefore, acquaintance phase is typically non-applicable. |
| **3. Mature partnership** | |
| The exchanges are not only behavioral but also emotional. The members count on each other for loyalty and support, and mutual trust, respect, and obligation also grow throughout this process. Leaders expect assistance from their subordinates, and followers look forward to support, encouragement, career investments. This final phase is considered to be a high-quality leader-member exchange, and thus, a mature partnership (Graen & Uhl-Bien, 1995). | The exchanges between family members are emotional. While it may be discussed what is the extent to which members count on each other for loyalty, support, mutual trust, respect and obligation, family relationship have been characterized as involving these components. |

Source: Developed by the author, based on Graen & Uhl-Bien (1995)

Non-familial (LMR1) role-types of leader-member relationships initially begin in a stranger phase and are firstly bound by an employment contract in contrast to personal ties. These relationships, at least in their initial stages, have a more explicit, impersonal approach, formalized by contractual agreements and involve a more marketplace, transactional character (Fiegener et al., 1994; James, 1999). Thus, presence of economic exchange can be especially noticeable in leader-member relationships when the member is a non-family employee. It can be assumed that non-familial (LMR1) role-types of leader-member relationships will be associated with greater quality (or extent) of economic exchange in comparison to familial (LMR2) role-types of relationships. From the leader-member exchange as a vertical dyad linkage (LMX) and social leader-member exchange perspective, a regular working relationship, when both individuals are not associated by familial ties, begins on a lower-level and has a potential to develop into a high-quality social relationship (characterized by high social exchange). Role routinization occurs, once a set pattern of normative behaviors develops along with the dyadic relationship (Sin, Nahrgang, & Morgeson, 2009).

The working relationship when both leader and member are family members (LMR2 role-type) will skip the stranger and acquaintance phases and begin with the mature partnership phase. Family member inclusion in both family and business domains can result in a greater shared vision, shared goals, and stronger, more multidimensional social ties (Pearson et al., 2008). Family, as a social institution, shapes the values of its members and those values in turn do influence their attitudes and behavioral choices (Sorenson, 2014). Families in the business rely on moral infrastructure that conditions family social capital, values, norms, obligations, and expectations (Hoffman et al., 2006; Sorenson & Bierman, 2009). Thus, the quality of the leader-member exchange as a vertical dyad linkage (LMX) and social leader-member exchange (SLMX) should be relatively high in terms of quality. A particular social exchange that is deemed to be achieved through development of an LMR1 type of relationship can simply be an initial social exchange level in an LMR2 type of relationship. It can be assumed that the quality of the leader-member exchange as a vertical dyad linkage (LMX) and the social leader-member exchange (SLMX) in familial (LMR2) role-types of leader-member relationships will be higher in contrast to non-familial (LMR1) relationships.

The quality of LMX and SLMX in non-familial (LMR1) role-types of relationships can also be lower than in familial (LMR2) role-types of relationships due to non-family members' perceptions, when they compare the quality of exchanges in their relationships with the leader with the ones between family members. Interpersonal exchange relationships between leaders, subordinates, and colleagues are interconnected and should be viewed in a broader context of organizations (Liden & Antonakis, 2009; Sparrowe & Liden, 2005; Tse & Ashkanasy, 2008; Vidyarthi, Liden, Anand, Erdogan, & Ghosh, 2010). These exchange relationships are interdependent and can influence each other. As a result, a psychological boundary for interpersonal comparison arises (Herman, Ashkanasy, & Dasborough, 2012). The notion of an employee's relative standing in his or her leader-member relationships and exchange (or RLMX), serves for the purpose of comparison and is defined as “an employee's LMX quality relative to the average LMX quality of others within a workgroup” (Herman et al., 2012, p. 354). According to Liden and Antonakis (2009) and Henderson, Wayne, Shore, Bommer, and Tetrick (2008), RLMX can have an impact on an employee’s attitudes toward his or her work and his or her behavior in a workgroup. The difference between his or her own and other employees’ LMX relationships can have an impact on the evaluation of his or her own LMX relationship (Vidyarthi et al., 2010). Non-family employees are likely to evaluate their relative standing with the exchange between leaders and family members as a reference point. While the quality of LMX and SLMX can naturally be higher between family members (as discussed in the previous paragraph), the evaluation of their relative standing by non-family employees can be undermined even more in cases, when, e.g., family members gain employment and benefits regardless of their contributions (Schulze et al., 2003) or when monitoring, evaluating, or disciplining of each other among family members is weak (Dyer, 2006; Perrow, 1972). The resulting bias or fear of ramifications to family relationships bias limit the ability of the leader to control and discipline family members (Lubatkin, Ling, & Schulze, 2007). I further suggest that a lower relative standing in quality of leader-member exchanges or unmet expectations by non-family members in a relationship can evoke negative emotions and latently reduce the overall quality of LMX and SLMX as perceived by a non-family member.

Based on the discussion above, I further hypothesize, that:

$H1_b$: Familial types of relationships will be associated with higher degrees of quality of leader-member exchange as a vertical dyad linkage (LMX) and social leader-member exchange (SLMX) than non-familial types of relationships;

$H1_c$: Non-familial types of relationships will be associated with a higher quality of economic leader-member exchange (ELMX) than familial types of relationships.

### 1.3. Theoretical grounding of psychological ownership and trust

LMX theory and research is in the Evaluation and Augmentation stage when researchers strive to augment an understanding of causal mechanisms and boundary conditions of LMX effects (Mayer & Piccolo, 2006). A priority of future research on leadership should be the causal mechanisms linking leadership to outcomes (Avolio, Walumbwa, et al., 2009). Based on the current findings, hypotheses can be raised that the quality of leader-member exchanges has an effect on the degree of psychological ownership of an organization held by employees. The quality of leader-member exchanges can also affect the degree of trust in a leader-member relationship. In the following sections the potential relationships between the quality of leader-member exchanges and outcomes – psychological ownership and trust – are discussed. The discussion of hypothesized causal mechanisms will follow these sections.

### 1.3.1. Psychological ownership

Psychological ownership can be one of the positive outcomes of the leader-member exchange, as suggested by the further perspective on the key underlying assumptions of it. However, this relationship has largely been overlooked in the existing literature. Ownership “represents a source of power that can be used to either support or oppose management depending on how it is concentrated and used” (Salancik & Pfeffer, 1980, p. 655). If managed correctly, company ownership rights given to the employees can evoke employee responsibility, commitment to, and care for the organization. However, assigning legal ownership to non-family employees can be costly and not always the best solution as ownership rights can mitigate the family influence and transgenerational control of the business, which business families typically seek to preserve (Gomez-Mejia et al., 2007). Yet, feelings of ownership can be developed even when legal ownership is absent (Pierce et al., 2001).

While material ownership relates to instrumental possessions, psychological ownership refers to the sense of intangible possessions (Pierce et al., 2003). This concept of ownership is in line with early suggestions by Etzioni (1991), that property should be examined as “a dual creation, part attitude, part object, part in the mind, part ‘real’” (p. 466). Psychological ownership is defined as “the state in which individuals feel as though the target of ownership or a piece of that target is ‘theirs’” (Pierce et al., 2003, p. 86). To date, this is an utmost definition, coined by pioneer researchers in psychological ownership and is adopted in this dissertation. Psychological ownership refers to the feeling of oneness with a material or non-material target and is said to be a part of the human condition, which has significant emotional, behavioral, and psychological consequences (Pierce et al., 2001). Individuals invest themselves in targets, have intimate knowledge, control and this way satisfy the need for belonging and control (Pierce et al., 2001). Possessions may comprise of material and intangible targets, and individuals identify themselves through possessions as symbols (Pierce et al., 2001). Organizations can become targets of psychological ownership experienced by individuals.

In organizational (and business) settings a positive relationship has been documented between psychological ownership and a number of individual and organization-level outcomes. Psychological ownership is distinguished by possessiveness (Avey et al., 2009) and induces feelings of satisfaction, joy, responsibility, accountability, sense of pride, burden sharing, and self-efficacy (Avey et al., 2009; Pierce et al., 2001). A positive relationship is found between psychological ownership and organizational commitment, organizational citizenship, job satisfaction, and performance (Avey et al., 2009; Mayhew et al., 2007; Md-Sidin et al., 2009; O'Driscoll, 2006; Van Dyne & Pierce, 2004), financial performance via ownership behavior (Wagner et al., 2003), extra-role behavior (Pierce et al., 1992), affective commitment (Liu et al., 2012).

In the family business context specifically, psychological ownership attaches family to the business (Bernhard & O'Driscoll, 2011; Pieper & Klein, 2007). This attachment and commitment to the organization in turn can enable the organization to achieve a stable competitive advantage (Rousseau & Shperling, 2003). Via family social capital that shapes organizational culture, individuals may be more willing to reciprocate and thus invest themselves in the company as an object of psychological ownership (Arregle et al., 2007). Psychological ownership, if developed among non-family employees could evoke care and interest in the company (Pierce et al., 2003). It is quite obvious that, in the case of family SME's, where CEOs or top managers are typically owners, they hold a high degree of psychological ownership by default. In the case of employees, however, certain mechanisms may be required in order to foster the development of psychological ownership. Hence, human resource management practices should be developed in a way to increase the degree of psychological ownership among non-family employees (Corbetta & Salvato, 2004).

Psychological ownership in organizational settings includes two types, namely, psychological ownership of the organization and psychological ownership of the job (Pierce, O'Driscoll, & Coghlan, 2004). Psychological ownership of the organization is concerned with how much someone feels the organization is theirs (Van Dyne & Pierce, 2004). Psychological ownership can exist on an individual or group level (Druskat & Pescosolido, 2002; Pierce & Jussila, 2011; Pierce et al., 2001). A personal sense of shared ownership or the feeling of “our-ness” can lead to shared or collective psychological ownership, which can be seen as an extension of psychological ownership at the individual level (Pierce & Jussila, 2011) and is, therefore, beneficial to the organization.

At an individual level, psychological ownership emerges via three experiences: (1) control over the target of ownership; (2) the intimate knowledge of the target, and (3) the investment of oneself into the target (Pierce et al., 2001; Pierce et al., 2003). The first route is control of the target, which enables an individual to feel ownership towards the object and the object eventually becomes a part of the individual self (Pierce et al., 2001). Any kind of ownership posits the need for control that comes with possession of something and the ability to affect the environment via personal actions (McIntyre, Srivastava, & Fuller, 2009). Thus, control of the object is a main characteristic of ownership. The second route to psychological ownership is paved via a close relationship with the object and intimate knowledge of it (Pierce et al., 2001). This way, an individual develops a relationship between himself or herself and the object and experiences the feeling of ownership of the object. The third route to psychological ownership occurs through an employee’s investment of himself or herself in the target, and the ultimate mechanism of investment is creation that involves investment of time, energy, values, and identity (Pierce et al., 2001).

However, understanding of what contextual factors enable organization to foster psychological ownership is still lacking (Bernhard & O'Driscoll, 2011). So far, the literature on antecedents of psychological ownership in organizations in general has mainly considered work design (Pierce et al., 2009). Nevertheless, in family businesses a different set of factors can have a more direct effect on the feelings of ownership (Bernhard & O'Driscoll, 2011). Findings in both non-family and family businesses highlight the relationship between transformational leadership and psychological ownership (Avey et al., 2009; Bernhard & O'Driscoll, 2011) and that transformational leaders “may be able to create conditions that enhance psychological ownership” (Avey et al., 2009, p. 186).

The potential of leadership to have an effect on psychological ownership is reinforced even more when the nature of psychological ownership emergence is considered. Psychological ownership to some extent is learned through socialization practices that are determined by culture as it is reflected in traditions, customs, and norms and shapes the individual’s self-concept and values towards control, self-identity, self-expression, ownership, and property (Pierce, Kostova, & Dirks, 2002). Culture may thus have an impact on all the elements related to the construct, its roots, targets, individuals, routes to and processes of psychological ownership (Pierce et al., 2002). A leader can trigger the culture as leaders do affect the culture in family businesses (Dyer, 1986; Sorenson, 2000; Stavrou, Kleanthous, & Anastasiou, 2005). In family SMEs, family business leaders already have a defined feeling of ownership over the business. In such businesses there is a psychosocial proximity between owners/managers and individual employees (Dirks, Cummings, & Pierce, 1996). Thus, psychological ownership that stems from the leader can be transmitted to the member (employee) through culture.

Furthermore, individuals build feelings of ownership for the objects via a living relationship with those objects (James, 1890). Thus, a relationship and interaction is a key condition for development of the feeling of ownership. While an organization is considered as a target of psychological ownership, the feelings of ownership can be built and shared via a living relationship and interactions with the family business leader. Again, psychosocial proximity between owners/managers and individual employees (Dirks et al., 1996) and the quality of leader-member exchanges may have an effect on the degree of psychological ownership of the organization held by an individual employee. Namely, greater degrees of leader-member exchange as a vertical dyad linkage (LMX) and social leader-member exchange (SLMX) can have a positive effect on psychological ownership of the organization held by the members. Since psychosocial proximity is naturally greater among family members, it is likely, that family employees will have a greater degree of psychological ownership than non-family employees.

Economic leader-member exchange (ELMX) is likely to have the opposite effect. Economic leader-member exchanges involve a transactional and contractual character, concrete obligations, repayment within a particular time period, or economic or quasi-economic goods (Blau, 1964; Kuvaas et al., 2012; Shore et al., 2006; Walumbwa et al., 2011). This type of exchange is more likely to rest upon legal ownership rights and beneficial outcomes associated with them. A greater degree or quality of economic leader-member exchange with a high focus on legal ownership can in turn have a negative effect on psychological ownership.

Based on the discussion above, I thus further hypothesize, that:

H1d: Family members will exhibit greater degrees of psychological ownership of the organization than non-family employees;

H2: The quality of leader-member exchange as a vertical dyad linkage (LMX) will have a positive effect on the degree of members' psychological ownership of the organization.

H3: Both the quality of leader-member exchange as a vertical dyad linkage (LMX) and the quality of social leader-member exchange (SLMX) will have a positive effect on the degree of a member's psychological ownership.

H4: The quality of economic leader-member exchange (ELMX) will have a negative effect on the degree of member's psychological ownership in contrast to the quality of leader-member exchange as a vertical dyad linkage (LMX).

### 1.3.2. Trust

Trust as a construct has been extensively analyzed in the social sciences, including psychology, sociology, political science, and economics (Scandura & Pellegrini, 2008). Consequently, a variety of trust definitions exist. Since leader-member exchange is at the focus of this study, trust is viewed as a relationship-related component that has integrative meaning between one individual and another and "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al., 1995, p. 712). This definition encapsulates the role of exchange and interpersonal influence and is substantiated further.

Organizational trust literature for a long time suffered from a limitation as it considered individual and psychological aspects of trust without capturing the impact of exchange. For example, the concept of trust relied on an individual's previous interactions, values, attitudes, moods, and emotions (Jones & George, 1998). The conceptual shift occurred with the studies by Emerson (1981); Homans (1958); Hosmer (1995); (Mayer et al., 1995); Sahlins (1972), which considered the influence of interpersonal relationships and behavior in relation to trust. The study in this dissertation relies on perhaps one of the most systematic and influential models of trust, namely, the Integrative Model of Organizational Trust by Mayer et al. (1995). This model suggests that trust is not only dispositional or "trait-like" but that it is an aspect of relationships and that it varies within persons and across relationships (Schoorman, Mayer, & Davis, 2007). The central tenet of it is the willingness of a person to be vulnerable to the other person based on a number of factors. The model differentiates between interpersonal trust, which takes place in a context that affects the trustor and the trustee, and trust in an organizational situation that would include external factors. In an interpersonal relationship, an individual assesses the risks and consequences associated with trusting another individual and evaluates trust factors, such as experiences in the past, integrity, loyalty, and the like. Thus, interpersonal trust is heavily built on relationships and the quality of interactions.

***Leader-member exchange and trust***

The character of social relationships in organizations is closely related to shared trust among members (Leana & Van Buren, 1999). A personal relationship is the manifestation of trust at the micro level (Welter, 2012). Trust decisions are based on personal experiences and demonstrated behavior (Blomqvist & Stahle, 2004; Uslaner, 2002). Positive significant relationships have been documented between trust and the leader-member exchange (Dulebohn et al., 2012; Gomez & Rosen, 2001; Wat & Shaffer, 2005). Leaders and members are partners in an exchange relationship and if either member of the dyad experiences a lack of trust, it will be difficult to maximize the potential positive outcomes evolving from this relationship (Brower, Lester, Korsgaard, & Dineen, 2008; Scandura & Pellegrini, 2008). Trust is, therefore, a crucial element in LMX theory (Schriesheim et al., 1999). Specifically, there has been a lack of agreement on whether trust is an antecedent or consequence of leader-member exchanges (Scandura & Pellegrini, 2008). However, a number of extant findings lead to an assumption that leader-member exchanges affect trust, and this relationship is examined in this dissertation.

Trust is typically associated with positive outcomes (for fragile trust and distrust and associated negative outcomes see, e.g., Lewicki, McAllister, and Bies (1998); Steier (2001), such as the belief that another person involved in the relationship or exchange will strive to fulfill commitments and not exploit opportunities (Rousseau, Sitkin, Burt, & Camerer, 1998). According to social exchange principles (e.g., Blau, 1964), employees will be willing to reciprocate the trust and care that a leader expresses in a relationship (Dirks & Ferrin, 2002; Konovsky & Pugh, 1994; Organ, 1990). Trust enables the development of an effective exchange relationship between the trustor and trustee (Blau, 1964), which encourages more beneficial performance behaviors on the job. In leader-member exchange as a vertical dyad linkage and social leader-member exchange the emphasis is put on the socio-emotional aspects of exchanges (e.g., the give and take and being taken care of), and trust that the other partner in an exchange will reciprocate is important (Bernerth et al., 2007). However, this reciprocation is not necessarily "balanced" (Brower, Schoorman, & Tan, 2000). It is possible for a leader to trust a subordinate and at the same time for the subordinate not to trust the leader or vice versa (Brower et al., 2000; Mayer et al., 1995). Trust is exchanged between leaders and in-group members (Sparrowe & Liden, 2005). A high-quality of the leader-member exchange in the whole dyad can therefore be paramount, as it involves interpersonal trust, respect, and obligations between leaders and members (Graen & Scandura, 1987; Graen & Uhl-Bien, 1995).

Accordingly, the quality of the leader-member exchange as a vertical dyad linkage (LMX) and the social leader-member exchange (SLMX) should be positively associated with trust. The economic leader-member exchange relies on the need to explicitly state the obligations, conditions of the exchanges, and expected rewards and, in a work relationship, a formal employment contract. High-quality social leader-member exchanges are associated with greater degrees of interpersonal trust that puts the leader-member relationship beyond the employment contract (Bauer & Green, 1996; Dienesch & Liden, 1986; Uhl-Bien et al., 2000). Hence, a high degree of economic leader-member exchange provides certainty to the parties, but leaves no room for trust.

### *Leader-member exchanges and trust in family businesses*

Trust in non-family and family businesses is related with social capital theory (Eddleston, Chrisman, Steier, & Chua, 2010). Trust within kinship ties helps to bring human, social, and financial capital sources together (Marcus & Hall, 1992). Trust can, therefore, become a central component in building family businesses' social capital (Adler & Kwon, 2002; Aldrich & Cliff, 2003; Hubler, 2011; James, 1999). The family business culture has been highlighted as a potential competitive advantage of family businesses and along with their culture they are often characterized as "high-trust" organizations (Corbetta & Salvato, 2004). Families often naturally occur as "high-trust" organizations and trust "typically extends to family-based business relationships" and private and economic partnerships in family businesses "create a unique context for trust" (Steier & Muethel, 2013, p. 498). Trust is, hence, both a potential source of competitive advantage (Gersick et al., 1997) and an essential condition for cooperation in family businesses (Steier, 2001), as trust in these organizations is of a relational kind and is interpersonal (Corbetta & Salvato, 2004).

Emotional bonds and commitment to a family business entity form the basis for trust when families become involved in a business (Sorenson, 2013; Steier & Muethel, 2013). Respectively, trust can serve as a bridging concept that fosters our understanding of the family business as a unique organizational form (Eddleston et al., 2010). Positive ground for trust development in family businesses (in contrast to non-family enterprises) is a result of family involvement. Families, in contrast to organizations, have already been involved in a long series of repeated interactions, which are a crucial condition for interpersonal trust (Child, 1998; Lewicki & Bunker, 1996; Rousseau et al., 1998). Interpersonal trust in family businesses is thus fostered by kinship, shared experiences, history, identity, personal characteristics, rituals, and realities (Carney, 2005; Gersick et al., 1997; Kets De Vries, 1993). These common elements foster interpersonal trust that is based on knowledge and identification (Lewicki & Bunker, 1996; Rousseau et al., 1998). Socialization based on trust is often employed as mediation or a control mechanism (Miller & Le Breton-Miller, 2005). Trust, provided by the family to the company, reduces the need for assessment and follow-up transaction procedures (Dyer, 2006; Steier, 2001).

While family businesses are often distinguished for trust, trust in this type of organization has been noted to be shifting from "resilient" to "fragile" (Steier, 2001, p. 353). Repeated interactions among individuals increase trust (Ensminger, 2001). Paradoxically, a history of interaction "allows one to know what to expect from the other, which contributes to trust even if the other is predictably untrustworthy…because one can anticipate how the other will violate the trust" (Sundaramurthy, 2008, p. 93). It takes an extensive amount of time and repeated interactions to develop interpersonal trust and it may be extremely difficult to develop interpersonal trust in business relationships (Lewicki & Bunker, 1996). In the leader-member exchange in the family business context, family members share more repeated interactions than non-family employees and, thus, are likely to develop greater levels of trust. An understanding of employee perceptions becomes critical as higher trust in family members can have a negative effect on non-family employees (Pearson & Marler, 2010). Based on the discussion above I further hypothesize, that:

$H1_e$: Familial types of relationships will be associated with greater degrees of trust than non-familial types of relationships.

## 1.4. Theoretical analysis of the interplay among the family business context, leader-member relationships, psychological ownership, and trust

The potential relationship between the quality of leader-member exchange and (1) the psychological ownership of an organization held by its members and (2) the trust in the leader-member relationship have been discussed in the previous section. With the aim to analyze the causal mechanism linking leadership to outcomes (Avolio, Walumbwa, et al., 2009), I further suggest a model of quality leader-member exchanges having an effect on the psychological ownership of an organization held by the members and this relationship being mediated by trust in the leader-member relationship.

At an individual level, psychological ownership emerges via three experiences: (1) control over the target of ownership; (2) the intimate knowledge of the target, and (3) the investment of oneself into the target (Pierce et al., 2001; 2003). Based on existing research, it can be suggested that trust plays a significant role in the development of psychological ownership. The first route is control of the target, which enables an individual to feel ownership towards the target and the target eventually becomes a part of the individual's self (Pierce et al., 2001). Any kind of ownership posits the need for control that comes with the possession of something and the ability to affect the environment via personal actions (McIntyre et al., 2009). While trust is the willingness of an individual to be vulnerable to the actions of another person (Mayer et al., 1995), the presence of trust is associated with the presence of a sense of control. The greater the level of trust experienced by an individual the greater the feeling of control, which is essential for psychological ownership experienced by an individual.

The second route to psychological ownership is paved via close relationships with the target and intimate knowledge of it (Pierce et al., 2001). An individual develops relationships between himself or herself and the target and frames the feeling of ownership of the target through attachment to (Rudmin & Berry, 1987) and association with the target. Attachment induces familiarity and knowledge, and, as a result, psychological proximity with the target (Rudmin & Berry, 1987). An increased degree of trust is related to an increased degree of psychological proximity and is, thus, related to both the quality of leader-member exchanges and the degree of psychological ownership. For example, trust can be an antecedent to psychological ownership, as in any type of business "formal contracts and controls are initially used to start business relationships, which are gradually complemented with relationship-based (identification) trust" (Sundaramurthy, 2008, p. 98). Thus, trust that grows naturally can be a pre-condition to the build-up of psychological ownership.

The third route to psychological ownership occurs through the investment of oneself in the target, and the ultimate mechanism of investment is creation, which involves an investment of time, energy, values, and identity (Pierce et al., 2001). The quality of LMX and SLMX embodies a belief by an individual that a partner in a relationship will reciprocate (Walumbwa et al., 2011) and is therefore associated with a degree of trust. The trust and belief in reciprocation may be likely to induce the willingness to invest oneself in the target.

As the quality of the leader-member exchange (LMX) as a vertical dyad linkage and the social leader-member exchange (SLMX) is assumed to be positively related with the degree of trust in the leader-member relationship and the degree of psychological ownership of an organization held by members, it is hypothesized that trust will play a mediating role in the underlying causal mechanism. The quality of the economic leader-member exchange (ELMX) is assumed to be negatively associated with the degree of trust in leader-member relationships and the degree of psychological ownership of an organization held by its members. It is further hypothesized that trust will play a mediating role in the underlying causal mechanism, resulting in a negative indirect effect of the quality of the ELMX, which reduces trust and, eventually, the degree of psychological ownership.

In sum, it is hypothesized, that:

H5: Trust will mediate the relationship between the leader-member exchange (LMX) as a vertical dyad linkage and the degree of a member's psychological ownership;

H6: Trust will mediate the relationship between the social leader-member exchange (SLMX) and the degree of a member's psychological ownership;

H7: Trust will mediate the relationship between the economic leader-member exchange (ELMX) and the degree of a member's psychological ownership.

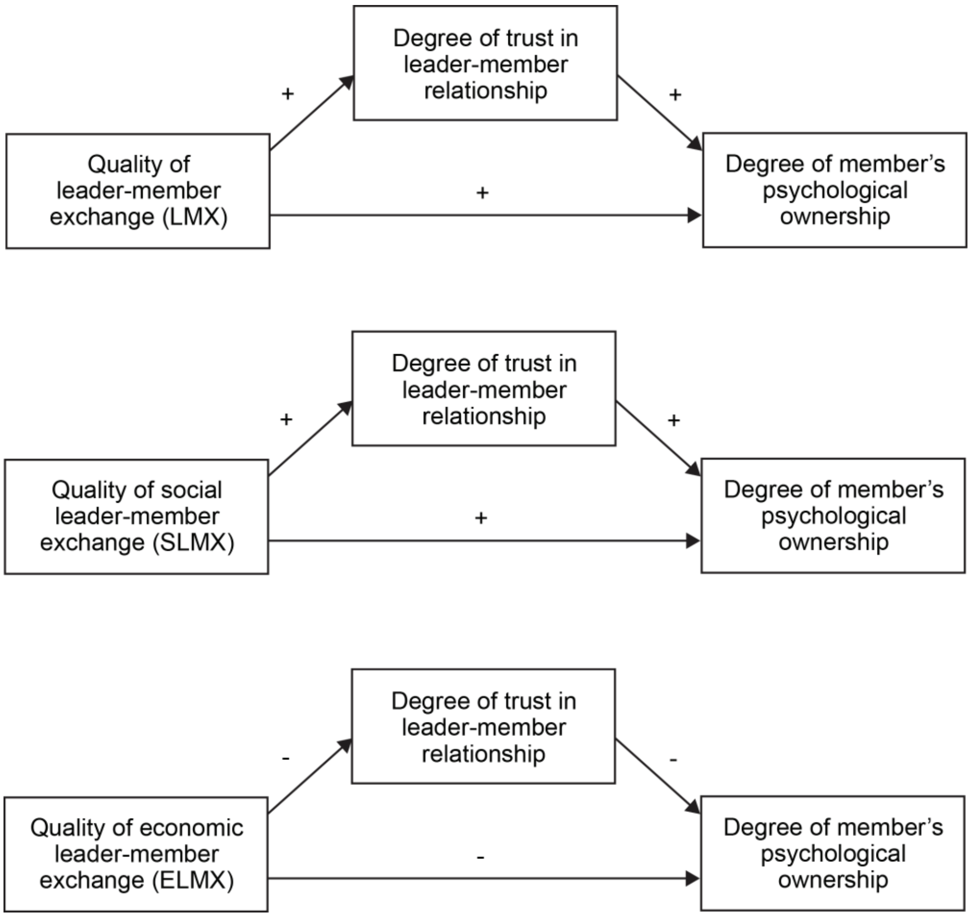
The summary of hypothesized relationships in this study is provided in Table 5.

**Table 5. Summary of hypothesized relationships in this study**

| Hypothesis | |
|---|---|
| **H1** | The role-types of leader-member relationships will be differently associated with qualitative characteristics of leader-member relationships. Specifically: |
| **H1 $_a$** | Non-family employees will exhibit lower degrees of role conflict than family members. |
| **H1 $_b$** | Familial types of relationships will be associated with higher degrees of quality of the leader-member exchange (LMX) as a vertical dyad linkage and social leader-member exchange (SLMX) than non-familial types of relationships. |
| **H1 $_c$** | Non-familial types of relationships will be associated with a higher quality of the economic leader-member exchange (ELMX) than familial types of relationships. |
| **H1 $_d$** | Family members will exhibit greater degrees of psychological ownership of the organization than non-family employees. |
| **H1 $_e$** | Familial types of relationships will be associated with greater degrees of trust than non-familial types of relationships. |
| **H2** | The quality of the leader-member exchange (LMX) as a vertical dyad linkage will have a positive effect on the degree of members' psychological ownership of the organization. |
| **H3** | Both the quality of leader-member exchange as a vertical dyad linkage (LMX) and the quality of social leader-member exchange (SLMX) will have a positive effect on the degree of a member's psychological ownership. |
| **H4** | The quality of economic leader-member exchange (ELMX) will have a negative effect on the degree of member's psychological ownership in contrast to the quality of leader-member exchange as a vertical dyad linkage (LMX). |
| **H5** | Trust will mediate the relationship between the leader-member exchange (LMX) as a vertical dyad linkage and the degree of a member's psychological ownership. |
| **H6** | Trust will mediate the relationship between the social leader-member exchange (SLMX) and the degree of a member's psychological ownership. |
| **H7** | Trust will mediate the relationship between the economic leader-member exchange (ELMX) and the degree of a member's psychological ownership. |

The hypotheses, which concern the interplay among the family business context, leader-member relationships, psychological ownership, and trust (H1) will be tested for the non-familial (LMR1) and familial (LMR2) role-types of leader-member relationships separately, and the results will be compared. The conditional process of the effect of the quality of leader-member exchanges on the degree of psychological ownership of organizations held by members via the degree of trust in a leader-member relationship as a mediating variable (H2-H7) will be tested for LMR1 and LMR2 role-types of relationships altogether. The conceptual models of the conditional process of leader-member exchanges' effect on individual and dyad-level outcomes in the family business context and the underlying mechanism are presented in Figure 8.

**Figure 8. Conceptual models of the leader-member exchange effect in the family business context**



# 2. RESEARCH METHODOLOGY

The methodology of the empirical study of this dissertation is discussed in this chapter. At first, the methodological approach, rationale of the sample selection, and applied statistical procedures are presented. Next, the data collection method along with measures and instruments that were applied in the study are provided. Lastly, the pilot study, possible challenges in data collection, as well as additional procedures and ethical aspects are discussed.

## 2.1. Methodological approach, sample and procedures

Babbie (2012) denotes three types of social research with respect to its purpose: exploratory, descriptive, and explanatory. Babbie also adds that while some research mainly focuses on one type, it is also often that a study would engage elements of all three types, which is the case with the research within the framework of this dissertation. The thesis aims to explore and explain the leadership succession phenomenon and the leadership practices in family businesses. The research employs stratified ontology and distinction of the real, the actual, and the empirical (Bhaskar, 1975). In this stance, the meanings of these notions are as follows (Sayer, 2000):

- "The real" means that whatever exists, it exists regardless if it is an empirical object for us and if we possess adequate understanding of its nature; the objects have structures and causal powers;
- "The actual" is what happens when these powers and structures are enabled, what they do, and "what eventuates when they do";
- "The empirical" is a domain of experience and "insofar as it refers successfully, it can do so with respect to either the real or the actual though it is contingent [on]... whether we know the real or the actual" (p. 12).

Consecutively, from an epistemological standpoint, the research in this dissertation represents critical realism while taking into account limitations of positivism and interpretivism (Bhaskar, 1975; Zachariadis, Scott, & Barrett, 2010). While organizational studies are predominated by the logic of positivism (Kieser & Walgenbach, 2010), critical realism can be deemed as an alternative logic for the combination of advantages of positivism and constructivism (Bort & Schiller, 2011;

Leca & Naccache, 2006). The study in this dissertation employs quantitative methods, yet, it anticipates the adoption of qualitative methods in subsequent studies. In this vein, I acknowledge the existence of a variety of mechanisms surrounding leader-member relationships and restrict the study to the leader-member relationships in family business context, their relation with interpersonal trust and psychological ownership, in the retail industry, in Lithuania as to be able to selectively focus on the particular mechanisms in this relationship (Zachariadis et al., 2010). Hence, in this quantitative study I look at the indicative patterns in the data that could further serve as a predicate for a qualitative study.

When it comes to scientific reasoning, according to Babbie (2012), “scientific inquiry in practice typically involves alternating between deduction and induction” and “both methods involve interplay of logic and observation” (p. 53), as well as “both are routes to the construction of social theories.” The research in this dissertation begins with deductive reasoning on a level allowed by the current theoretical stage in the field. Thus, it starts with a pattern that can be both theoretically and logically expected and moves to observations which do test if this expected pattern indeed occurs (Babbie, 2012). Following deductive reasoning, upon theoretical analysis a conceptual model and hypotheses are developed for testing (Wilson et al., 2010). Inductive reasoning then leads to the core of the research in this dissertation based on the following grounding. Davis and Marquis (2005) contend that research in organization theory has shifted in work orientation from paradigm-driven to problem-driven. They suggest that under conditions of major economic change (including our era) the problem-driven work that relies on mechanism-based theorizing and research, which, rather than the organization, takes the field as a unit of analysis, is the most appropriate style of organizational research. The paradigm-driven approach applies hypotheses that are deduced from the theory that are intended to be general, and considers events in the world as contexts for testing those hypotheses (Davis & Marquis, 2005). On the contrary, problem-driven work focuses on the explanation of the events, where the main question that a researcher seeks to answer is a “Why is it that…?” question. The family business field holds multiple “why” questions in its repository and I suggest that the topics of leadership, trust and psychological ownership are still largely unexplained. In addition to this, the field of family business is currently at the normal evolutionary science stage, where the development and testing of theories is a major concern (Chrisman et al., 2003; Moores, 2009). For this reason, this study remains on the verge of the paradigm-driven and problem-driven approaches. It mainly follows the paradigm-driven approach by applying the LMX theory in family business context, however, is also based on the rationale that stems from specific family business issues, such as, for example, differing relationships between family and non-family members and attitudes of family and non-family employees. In order to link the aforementioned philosophical assumptions with specific research methods, the research design is presented further (Creswell & Clark, 2011).

The empirical study employs a quantitative approach in the form of a survey using two different questionnaires (for leaders and members). The heterogeneity of family businesses is large in terms of age, size, scope, and legal form, and, thus, requires the studied segment of the business to be clearly defined in a study (Melin & Nordqvist, 2007). The groups of respondents involve family business leaders who hold top-management positions, commonly referred to as "managing directors" of the company and their direct subordinates. Whereas all family businesses are partly owned by families, only some are led and managed by them. Typically, this management takes the form of a founder or family descendent who acts as the CEO (Miller & Le Breton-Miller, 2006). Due to the focus of the study on LMR1 and LMR2 role-types of leader-member relationships, which are likely to exhibit specifics that arise due to the family dimension, only companies with a leader who is a family member were included in the study. The leaders were identified via approachable data, a survey, or direct conversations prior to the distribution of questionnaires. The group of respondents that represent the members in leader-member relationships, are the subordinates to family business leaders in charge. The groups were respondents that represent the members in leader-member relationships, are the subordinates to family business leaders in charge. The groups were independent and the questionnaires were distributed to leaders and members independently of each other. Every leader evaluated his or her unique dyad (or relationship) with the member and every respective member evaluated his or her unique relationship developed with the leader. The decision to conduct the empirical study in micro and small enterprises was determined by the fact that these companies represent the majority of businesses in Lithuania (e.g. 96% of all enterprises in the beginning of the year 2015 (Statistics Department of Lithuania, 2015)).

According to the European Commission's definition, companies which employ 1-9 employees are considered to be micro enterprises and the ones that employ 10-49 employees are considered to be small enterprises. Nevertheless, in the study of LMX relationships, the differences between 5-employee and 49-employee companies can distort the findings. Therefore, for the purposes of this study only companies with up to 20 employees are involved. With regard to an adopted definition of “family business” in the companies which participated in the survey, the majority of ownership rights were held by a single family. The data was collected from 124 micro and small enterprises in Lithuania, from 124 leaders (managing directors), and 288 members (direct subordinates of the managing directors; 160 non-family employees and 128 family members respectively). In order to minimize the risk of common method bias, both leaders and members participated in the survey (Podsakoff et al., 2003). The empirical study was conducted at a single time-point.

From statistical analyses, conditional process modelling, regression, and Spearman and Canonical correlation analyses were applied. The statistical analysis was performed with SPSS (including the PROCESS macro) and R statistical software (Yacca and Lavaan packages).

## 2.2. Data collection method

In order to monitor the process of data collection and respond to any arising questions that respondents may have had, all of the questionnaires were distributed as printed versions. The printed questionnaires were presented to each respondent in person with a sealable envelope. Upon completion of the questionnaire, every participant sealed the envelope before returning it. The questionnaire for family business leaders consisted of two sets of questions. The first set involved questions that were not related to relationships with a particular subordinate (member), i.e., questions about the leader himself or herself or the company. The second set involved questions concerning the relationship with each of the direct subordinates (members). The leader had to complete as many sets of questions about relationships as there were subordinates. A separate document was presented for a report about the relationship with every subordinate. The respondents were given enough time to complete the survey at their normal pace and raise any questions. The completion of the survey took about 15-20 minutes for the member (subordinate). For the leaders, it took about 5-7 minutes to answer the non-relationship focused questions and approximately an additional 10 minutes per each set of questions concerning the relationship with a particular member (subordinate). The leaders were asked to first fill in the questionnaires about their subordinates and the questionnaire concerning themselves and sociodemographic data was presented last. The person in charge of data collection (the author of this study) remained in a separate room so that the respondent could quickly ask any arising questions and yet for the author to remain unobtrusive at the same time. The selected data collection method also allowed to ensure a 100% response rate.

### 2.3. Measures and instruments

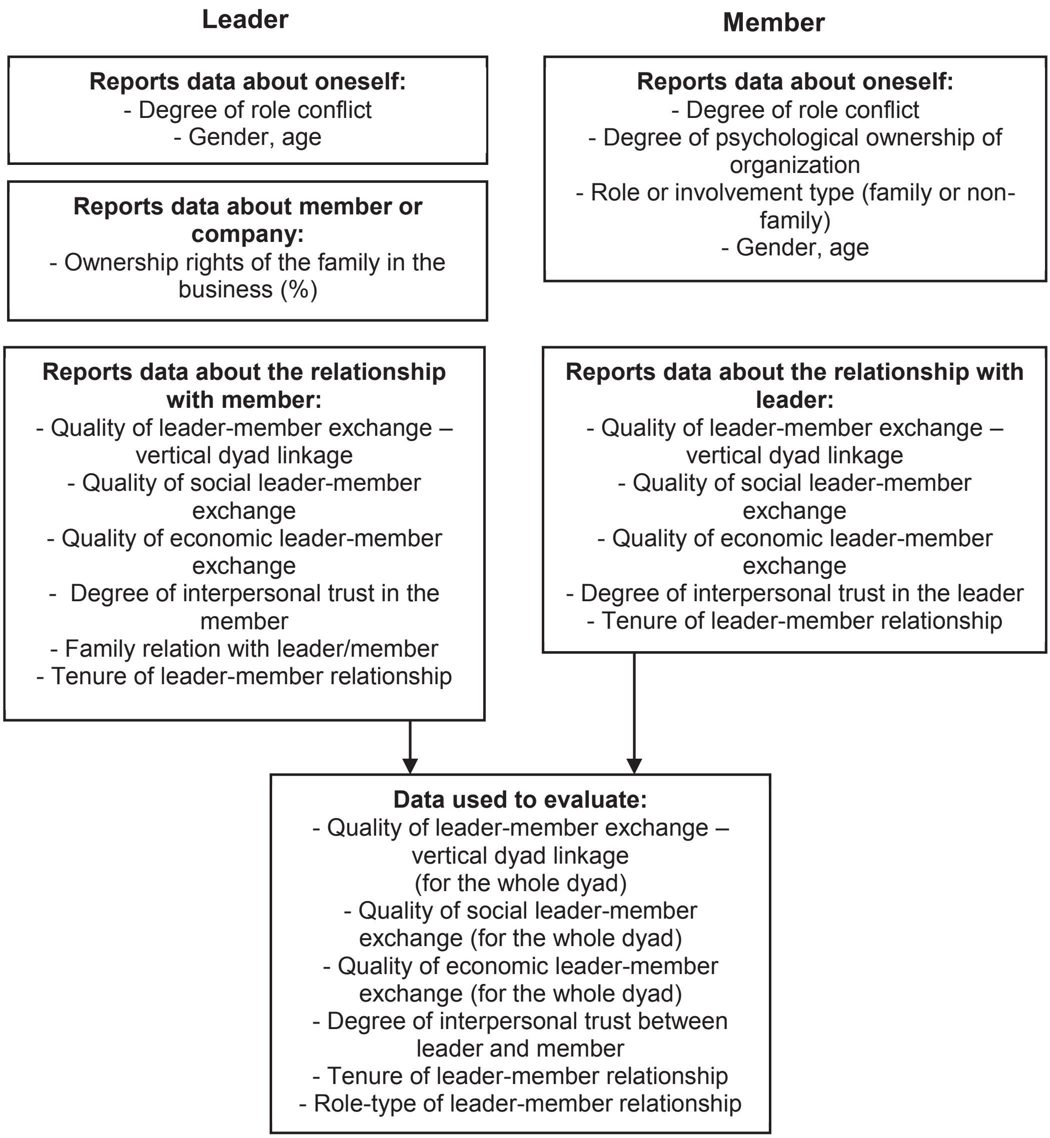
The study employed instruments whose reliability had been tested across literature repetitively. This selection was guided by several reasons. Firstly, as it was outlined in the theoretical part of this dissertation, the analysis of leader-member exchanges in the family business context is a relatively new research attempt. Hence, one of the goals was to obtain results suitable for comparison with prior findings. Secondly, the application of well-documented measures would provide additional insights to contribute to the ongoing scientific discourse whether family business research calls for separate specific theories, constructs, and measures or if the application (or so-called "borrowing") from other disciplines is feasible enough. The selected instruments have been presented in the following sections. Since all of the measures were constructed in English, cross-linguistic comparability of measurement items (Brislin, 1986) was ensured by (1) translation and revision into Lithuanian by three bilingual researchers, and (2) translation of developed items back into English by a professional Lithuanian-English/English-Lithuanian translator. The summary of measures applied in this study and the framework of data collection with regard to respective measures are presented in Table 6 and Figure 9.

**Table 6. Summary of measures**

| Construct / variable | Reported by | Items for Leader | Items for Member | Source / instrument |
|---|---|---|---|---|
| Quality of leader-member exchange – vertical dyad linkage | Leader, member | LLMX1-LLMX7 | MLMX1-MLMX7 | LMX-7 (Graen & Uhl-Bien, 1995) |
| Quality of social leader-member exchange | Leader, member | LSLMX1-LSLMX8 | MSLMX1-MSLMX8 | LMSX (Bernerth et al., 2007) |
| Quality of economic leader-member exchange | Leader, member | LELMX1-LELMX5 | MELMX1-MELMX8 | ELMX (Shore et al., 2006), as adapted by Kuvaas et al. (2012) |
| Degree of trust between leader and member | Leader, member | LIT1-LIT7 | MIT1-MIT7 | Schoorman and Ballinger (2006) |
| Degree of psychological ownership of the business | Member | - | MPO1-MPO7 | Van Dyne and Pierce (2004) |
| Member's role or involvement type (family or non-family) | Member | - | MRT | Author |
| Family relationship to member | Leader | LFR | - | Author |
| ***Control variables*** | | | | |
| Leader's or member's role conflict | Member, leader (self-reported) | LRC1-LRC9 | MRC1-MRC9 | RCA (Rizzo et al., 1970) |
| Tenure of leader-member relationship | Leader, member | LTLMR | MTLMR | Author |
| Gender | Leader, member | LG | MG | |

Source: Developed by the author

**Figure 9. Sources of data in the empirical study**




Source: Developed by the author

### *Leader-member exchange inventory*

LMX measure is sufficient for distinguishing between higher and lower quality relationships (Uhl-Bien & Maslyn, 2003). Meta-analytical evidence indicates that the LMX-7 provides the soundest psychometric properties and the highest correlations with outcomes, compared to all other available instruments (Gerstner & Day, 1997). In LMX-7, the quality of relationships is assumed to involve attributes such as mutual trust, respect, affection, and loyalty. LMX-7 measures the vertical dyad linkage. Both LMX-7 scales are scored by summing up the responses for all questions respectively. In an effort to address the omission of social exchange from previous LMX research, Bernerth et al. (2007) called for a more accurate scale that “reflects the social exchange conceptualization of LMX” (p. 980). Through an assessment by 25 LMX subject matter experts, Bernerth and colleagues’ (2007) findings revealed that the LMX-7 and LMX-MDM scales are not representative of the construct of social exchange. LMSX measures the social exchange between leaders and members in a manner not previously assessed and measured by existing LMX scales. Therefore, the LMSX is able to assess “different, as well as the same, components of the supervisor-subordinate relationship as previous scales while being more theoretically consistent with the notion of social exchange” (Bernerth et al., 2007, p. 979). Importantly, Bernerth et al.’s (2007) scale measures members’ perceptions of the negotiation latitude as well as social exchange (reciprocity) and not that of the leaders.

Building on these arguments, the empirical study in this dissertation employed an LMX 7-item questionnaire (Graen & Uhl-Bien, 1995) to evaluate relationships between leaders and members as dyad linkages. All items were evaluated on a 5-point Likert scale, ranging, for example, from (1) “rarely” to (5) “very often” or from (1) “not a bit” to (5) “a great deal.” An example item is “Do you usually know how satisfied your manager is with what you do?" The LMSX (leader-member social exchange) questionnaire (Bernerth et al., 2007) was applied to evaluate the social exchange between leader and member. Items were scored on a 7-point Likert scale, ranging from (1) “strongly disagree” to (7) “strongly agree.” An example item from the scale is “If I do something for my manager, he or she will eventually repay me.” An adapted version of the ELMX questionnaire (Shore et al., 2006) was used to evaluate the economic exchange between leader and member, as adapted by Kuvaas et al. (2012). Items were scored on a 5-point Likert scale, ranging from (1) “strongly disagree” to (5) “strongly agree.” An example item is “The most accurate way to describe my relationship with my manager is that I do what I am required to do.”

### *Trust*

The seven-item measure of trust by Schoorman and Ballinger (2006) was selected for this study (alpha level of .84). This scale is an extended version of the four-item rust scale developed by Schoorman, Mayer, and Davis (1996), which maintains the conceptual definition without creation of redundant items. Example items are “If my manager asked why a problem occurred, I would speak freely even if I were partly to blame,” and “I would be willing to let my manager have complete control over my future in this company.” Items were scored on a 5-point Likert scale, ranging from (1) “strongly disagree” to (5) “strongly agree”.

### *Psychological ownership*

The degree of a member’s psychological ownership was measured using a 7-item questionnaire developed by Van Dyne and Pierce (2004), with example items, such as “This is MY organization,” and “I feel a very high degree of personal ownership for this organization.” Items were scored on a 5-point Likert scale, ranging from (1) “strongly disagree” to (5) “strongly agree.”

### *Role conflict*

The degree of role conflict was measured using the 9-item role conflict scale by Rizzo et al. (1970). Items were evaluated on a 7-point Likert scale, ranging from (1) “very false” to (7) “very true”. An example item is “I have to buck a rule or policy in order to fulfill my responsibilities.”

## Operationalization of study variables and adaptations applied to items

A number of adjustments and adaptations had to be applied to questions in the original instruments due to several reasons. Firstly, the main instruments were developed for organizational work settings, but not for family businesses. Due to the complexity of organizations, family businesses encompass both family and business settings for the family members employed in the company. Work context, as well as family members’ roles and social interactions, involve not only business but family as well. Therefore, some questions were adjusted to reflect the manifestations of the family. Secondly, in extension of the family roles, notions like “tasks” or “assignments” had to be replaced with “responsibilities” in the role conflict questionnaire by Rizzo et al. (1970), as when the family dimension comes into play, the original phrasing could be confusing to respondents. Moreover, due to the complexity of work in modern organizations, in contrast to the 1970’s, the notion of “responsibilities” reflects the contemporary nature of work more accurately. Third, some instruments were initially meant as self-report questionnaires or were not specified for the cases when the respondent was the top manager of the company and typically does not receive assignments from a higher authority. In these cases, either adjustments to wording were made or the items were omitted, since they did not match the work-role specifics of the leaders and could not be properly adapted (e.g. “I do what my manager demands from me, mainly because he or she is my formal boss”). Lastly, the empirical study involved micro and small enterprises; therefore, the notion of the group with which an individual interacted was not always applicable and thus was changed to reflect individual persons, colleagues, peers, and subordinates. At summary of the adjustments that were made to the questionnaires is provided in Tables 7-9.

**Table 7. Adjustments applied to items in this study**

| | Adjustments | | |
|---|---|---|---|
| **Construct** | **Item code** | **Original wording** | **Final wording** |
| **Role conflict** | LRC2, MRC2 | "I work" | I act under incompatible policies and guidelines |
| | LRC4, MRC4 | "To carry out an assignment" | I have to buck a rule or policy in order to fulfill my responsibilities |
| | LRC5, MRC5 | "Two groups" | I work with two or more direct subordinates who operate quite differently<br>I work with two or more persons who operate quite differently |
| | LR6 | "I receive incompatible requests from two or more people" | I face demands from family and business that are incompatible |
| | LRC7 | "I do things that are apt to be accepted by one person and not accepted by others" | I have to act for the sake of business at a sacrifice of family and/or act for the sake of family at a sacrifice of business |
| | LRC8, MRC8 | "I receive an assignment" | I face an assignment without adequate resources and materials to execute it |
| **Quality of economic leader-member exchange** | LELMX1 | "What I am told to do" | The most accurate way to describe my relationship with my follower is that I do what I am required to do |
| **Trust between leader and member** | LIT2 | "My future" | I would be willing to let my subordinate have complete control over our future in this company |
| | **Omitted questions** | | |
| **Quality of economic leader member exchange reported by leader** | I do what my manager demands from me, mainly because he or she is my formal boss | | |
| | I watch very carefully what I get from my …, relative to what I contribute. | | |
| | My relationship with my … is mainly based on authority, he or she has the right to make decisions on my behalf and I do what I am told to do. | | |

**Table 8. Operationalization of study variables: members' questionnaire**

| Construct / variable | Item code | Item | Source / instrument |
|---|---|---|---|
| **Quality of leader-member relationship (LMX; vertical dyad linkage, negotiation latitude)** | MLMX1 | Do you usually know how satisfied your leader is with what you do? | LMX-7 (Graen & Uhl-Bien, 1995) |
| | MLMX2 | How well does your leader understand your job problems and needs? | |
| | MLMX3 | How well does your leader recognize your potential? | |
| | MLMX4 | Regardless of how much formal authority your leader has built into his or her position, what are the chances that your leader would use his or her power to help you solve problems in your work? | |
| | MLMX5 | Again, regardless of the amount of formal authority your leader has, what are the chances that he or she would “bail you out” at his or her expense? | |
| | MLMX6 | I have enough confidence in my leader that I would defend and justify his or her decision if he or she were not present to do so | |
| | MLMX7 | How would you characterize your working relationship with your leader? | |
| **Quality of leader-member relationship (social leader-member exchange)** | MSLMX1 | My manager and I have a two-way exchange relationship | LMSX (Bernerth et al., 2007) |
| | MSLMX2 | I do not have to specify the exact conditions to know my manager will return a favor | |
| | MSLMX3 | If I do something for my manager, he or she will eventually repay me | |
| | MSLMX4 | I have a balance of inputs and outputs with my manager | |
| | MSLMX5 | My efforts are reciprocated by my manager | |
| | MSLMX6 | My relationship with my manager is composed of comparable exchanges of giving and taking | |
| | MSLMX7 | When I give effort at work, my manager will return it | |
| | MSLMX8 | Voluntary actions on my part will be returned in some way by my manager | |
| **Quality of leader-member relationship (economic leader-member exchange)** | MELMX1 | The most accurate way to describe my relationship with my manager is that I do what I am told to do | Adapted from ELMX for organizations, (Shore et al., 2006), basing on Kuvaas et al. (2012) |
| | MELMX2 | My relationship with my manager is impersonal – we don’t have a personal relationship | |
| | MELMX3 | I only want to put in extra effort for my manager when I know in advance how he or she will repay me | |
| | MELMX4 | I do what my manager demands from me, mainly because he or she is my formal boss | |
| | MELMX5 | I do not care what my manager does for me in the long run, only what he or she does right now | |
| | MELMX6 | I watch very carefully what I get from my manager, relative to what I contribute | |
| | MELMX7 | My relationship with my manager is mainly based on authority, he or she has the right to make decisions on my behalf and I do what I am told to do | |
| | MELMX8 | All I really expect from my manager is that he or she fulfils his or her formal role as supervisor or boss. | |

| | | | |
|---|---|---|---|
| **Degree of member's trust** | MIT1 | My supervisor keeps my interests in mind when making decisions | Schoorman and Ballinger (2006) |
| | MIT2 | I would be willing to let my supervisor have complete control over my future in this company. | |
| | MIT3 | If my supervisor asked why a problem occurred, I would speak freely even if I were partly to blame. | |
| | MIT4 | I feel comfortable being creative because my supervisor understands that sometimes creative solutions do not work. | |
| | MIT5 | It is important for me to have a good way to keep an eye on my supervisor (Reverse) | |
| | MIT6 | Increasing my vulnerability to criticism by my supervisor would be a mistake (Reverse) | |
| | MIT7 | If I had my way, I wouldn't let my supervisor have any influence over decisions that are important to me. (Reverse) | |
| | MPO1 | This is MY organization | |
| | MPO2 | I sense that this organization is OUR company | |
| | MPO3 | I feel a very high degree of personal ownership for this organization | |
| | MPO4 | I sense that this is MY company | |
| | MPO5 | This is OUR company | |
| | MPO6 | Most people that work for this organization feel as though they own the company | |
| | MPO7 | It is hard for me to think about this organization as MINE (Reverse) | |
| **Member's role conflict** | MRC1 | I have to do things that should be done differently | Rizzo et al. (1970) |
| | MRC2 | I act under incompatible policies and guidelines | |
| | MRC3 | I receive an assignment without the manpower to complete it | |
| | MRC4 | I have to buck a rule or policy in order to fulfill my responsibilities | |
| | MRC5 | I work with two or more persons who operate quite differently | |
| | MRC6 | I receive incompatible requests from two or more people. | |
| | MRC7 | I do things that are apt to be accepted by one person and not accepted by others | |
| | MRC8 | I face an assignment without adequate resources and materials to execute it | |
| | MRC9 | I work on unnecessary things. | |
| **Role type** | MRT | Are you a member of the family, which runs the business? | Author |
| **Tenure of relationship** | MTLMR | How long have you been working with your manager? | Author |
| **Gender** | MG | Your gender is: | |
| **Age** | MA | Your age is: | Author |

**Table 9. Operationalization of study variables: leaders' questionnaire**

| Construct / variable | Item code | Item | Source |
|---|---|---|---|
| **Leader's role conflict** | LRC1 | I have to do things that should be done differently | RCA, (Rizzo et al., 1970) |
| | LRC2 | I act under incompatible policies and guidelines | |
| | LRC3 | I receive an assignment without the manpower to complete it | |
| | LRC4 | I have to buck a rule or policy in order to fulfill my responsibilities | |
| | LRC5 | I work with two or more persons who operate quite differently | |
| | LRC6 | I receive incompatible requests from two or more people | |
| | LRC7 | I do things that are apt to be accepted by one person and not accepted by others | |
| | LRC8 | I face an assignment without adequate resources and materials to execute it | |
| | LRC9 | I work on unnecessary things | |
| **Ownership rights of the family in the business (%)** | LORF | Please indicate the proportion of shared ownership held by family members | Adapted from Astrachan et al. (2002) |
| **Gender** | LG | Your gender is: | |
| **Age** | LA | Your age is: | Author |
| **Leader's orientation** | LO | What goals are more important to you? | Author |
| **Quality of leader-member relationship (LMX)** | LLMX1 | Do you usually know how satisfied your follower is with what you do? | LMX-7 (Graen & Uhl-Bien, 1995) |
| | LLMX2 | How well does your follower understand your job problems and needs? | |
| | LLMX3 | How well does your follower recognize your potential? | |
| | LLMX4 | Regardless of how much formal authority your follower has built into his or her position, what are the chances that your follower would use his or her power to help you solve problems in your work? | |
| | LLMX5 | Again, regardless of the amount of formal authority your follower has, what are the chances that he or she would "bail you out" at his or her expense? | |
| | LLMX6 | I have enough confidence in my follower that I would defend and justify his or her decision if he or she were not present to do so | |
| | LLMX7 | How would you characterize your working relationship with your follower? | |
| **Quality of leader-** | LSLMX1 | My follower and I have a two-way exchange relationship | |
| | LSLMX2 | I do not have to specify the exact conditions to know my follower will return a favor | |

| | | | |
|---|---|---|---|
| **member relationship (social leader-member exchange)** | LSLMX3 | If I do something for my follower, he or she will eventually repay me | LMSX (Bernerth et al., 2007) |
| | LSLMX4 | I have a balance of inputs and outputs with my follower | |
| | LSLMX5 | My efforts are reciprocated by my follower | |
| | LSLMX6 | My relationship with my follower is composed of comparable exchanges of giving and taking | |
| | LSLMX7 | When I give effort at work, my follower will return it | |
| | LSLMX8 | Voluntary actions on my part will be returned in some way by my follower | |
| **Quality of leader-member relationship (economic leader-member exchange)** | LELMX1 | The most accurate way to describe my relationship with my follower is that I do what I am required to do | Adapted from ELMX for organizations (Shore et al., 2006), basing on Kuvaas et al. (2012) |
| | LELMX2 | My relationship with my follower is impersonal – we don't have a personal relationship | |
| | LELMX3 | I only want put in extra effort for my follower when I know in advance how he or she will repay me | |
| | LELMX4 | I do not care what my follower does for me in the long run, only what he or she does right now | |
| | LELMX5 | All I really expect from my follower is that he or she fulfils his or her formal role as an employee | |
| **Degree of leader's trust** | LIT1 | My subordinate keeps my interests in mind when making decisions | Schoorman and Ballinger (2006) |
| | LIT2 | I would be willing to let my subordinate have complete control over our future in this company | |
| | LIT3 | If my subordinate asked why a problem occurred, I would speak freely even if I were partly to blame | |
| | LIT4 | I feel comfortable being creative because my subordinate understands that sometimes creative solutions do not work | |
| | LIT5 | It is important for me to have a good way to keep an eye on my subordinate (Reverse) | |
| | LIT6 | Increasing my vulnerability to criticism by my subordinate would be a mistake (Reverse) | |
| | LIT7 | If I had my way, I wouldn't let my subordinate have any influence over decisions that are important to me (Reverse) | |
| **Tenure of leader-member relationship** | LTLMR | How long have you been working with this subordinate? | Author |
| **Family relation with member** | LFR | Are you related by familial ties with your subordinate? | Author |

Source: Developed by the author

## 2.4. Pilot study

In order to assess the questionnaire's design rendered in the previous section, a pilot study was conducted. Firstly, the questionnaires were presented to a group of respondents in order to evaluate how comprehensible the questions were. Secondly, the questionnaires were distributed to a group of respondents to collect data for testing prior to the final distribution of questionnaires. The respondents between the two groups involved in the study did not coincide, as prior involvement in the reflection of questions could potentially affect the answers in comparison to respondents who answered the questions without prior introduction. For the evaluation of questions, the time was allocated for family business leaders and members to read the questions. In order to collect the utmost detailed feedback, a form of live conversation with respondents was chosen. Selection of this form enabled the researcher and respondent to be engaged in thorough revision and discussion of questions. The conversation format also allowed asking participants and checking whether certain explanatory remarks in the questionnaire were helpful and necessary, as well as double-checking if they fully understood certain terms in a given context. The suitability of the Likert scale was also discussed in order to ensure whether participants found the scale suitable for marking their responses. Participants of the pilot study confirmed that questions involving the Likert scale with uneven number of response options were suitable to be answered. For the question "What goals are more important to you?", that included options "Business" and "Family", an additional option "I don't know but I tend to think, that…" was introduced in case was not certain about his or her response. However, none of the participants in the final study did mark this option.

## 2.5. Possible challenges in data collection

The following challenges were foreseen and handled over the course of the data collection process:

1. Family business representatives may not perceive their companies as family businesses and, therefore, prior introduction may have been necessary. In cases when such challenges arose, a clear explanation of the family business concept was provided to the respondents.

2. Family business owners may not have been willing to provide information for the study if a competitor also took part in the study. A complete guarantee of the respondents' confidentiality was provided with the aim of preventing any leaks of information, which could be an issue of concern for the respondents.

3. In the case of primary contacts by telephone in Lithuania, the primary conversation did not always occur with a targeted person (family business leader or family member). The persons for the primary contact in some instances were office administrators, secretaries, and other front desk employees of companies who acted as gatekeepers for gaining access to communication with targeted respondents. When such challenges arose, a detailed and concise explanation of the research's relevance was required.

Proper identification of expected challenges before the process was crucial to preventing discrepancies during the actual implementation stage.

### 2.6. Additional procedures and ethical aspects

The ethical aspects of the research were considered in accordance to (Babbie, 2012) and are further named in this section along with additional procedures. Ethical aspects specifically considered in this research:

- Voluntary participation in the study: respondents took part in the study only voluntarily and in most cases they were asked if they would agree to participate in the research before the actual distribution of the questionnaire. However, as it has been noted earlier, the relevance of the research was explained to targeted respondents when it seemed questionable to them. Thus an interest in taking part in the study was motivated and the response rate was increased;
- Any potential harm to the participants was prevented that could possibly arise due to the embarrassing nature of the questions or concerns about confidentiality. The nature of the questions had been elaborated on during the pilot study and was determined to be appropriate. Respondents in any case had the freedom of skipping questions if they considered them to be inappropriate;
- With regard to anonymity, unfortunately, it was not possible to fully preserve the respondents' anonymity due to the contact by telephone, live conversations, visible contacts when retrieving the data, and the like. However, all the data was handled with proper care and due respect to the information about the respondents;

- Confidentiality was guaranteed to all the respondents and the names of individuals as well as companies will remain confidential;
- Deception was prevented; the respondents were clearly presented with the information on the purpose of the research and the author of the research.

## 3. RESULTS OF THE EMPIRICAL STUDY

The following sections present the results of the empirical study and the tests of the hypothesized relationships. I used conditional process analysis to model the relationships between the quality of leader-member exchanges and the members' psychological ownership of the organization (directly and via trust as a mediator). Additional linear regression and correlational (Spearman and canonical) procedures, as well as independent samples tests, were performed to evaluate the differences associated with the role-type of leader-member relationships.

### 3.1. Reliability analysis

The internal reliability analysis of the scale was performed and the results are presented in Table 10. Across all three sample versions, the initial value of Cronbach's alpha for the role conflict scale in the leaders' sample is .014 and would not increase to a sufficient level (at least .5) even upon deletion of particular items. Thus, leaders' role conflict was excluded from further analysis. The initial value of Cronbach's Alpha for the quality of social leader-member exchange in the leaders' sample is .546. Deletion of the item "My follower and I have a two-way exchange relationship" would have increased the value to .711 and thus, this item was eliminated from further analysis. The initial value of Cronbach's alpha for the quality of social leader-member exchange in members' sample was .57. As in the case of the leaders' sample, deletion of the item "My leader and I have a two-way exchange relationship" would have increased the value to .747 and thus, this item was eliminated from further analysis. The value of Cronbach's alpha for members' role conflict is .571. However, deletion of the item "I face an assignment without adequate resources and materials to execute it" would have increased the value to .619 and thus, this item was eliminated from further analysis.

**Table 10. Reliability of the study variables**

| Construct | Item Code | Corrected Item-Total Correlation | Value of Cronbach's Alpha |
|---|---|---|---|
| **Leaders' sample** | | | |
| Leader's role conflict | | | .014 |
| | LRC1 | -.152 | |
| | LRC2 | .113 | |
| | LRC3 | .176 | |
| | LRC4 | .056 | |
| | LRC5 | .017 | |
| | LRC6 | -.112 | |
| | LRC7 | .027 | |
| | LRC8 | .149 | |
| | LRC9 | -.209 | |
| The quality of leader-member exchange (as a vertical dyad linkage) | | | .810 |
| | LLMX1 | .762 | |
| | LLMX2 | .828 | |
| | LLMX3 | .761 | |
| | LLMX4 | .702 | |
| | LLMX5 | .818 | |
| | LLMX6 | .019 | |
| | LLMX7 | .015 | |
| The quality of social leader-member exchange | | | .711 |
| | LSLMX1 | Deleted | |
| | LSLMX2 | .044 | |
| | LSLMX3 | .640 | |
| | LSLMX4 | .547 | |
| | LSLMX5 | .105 | |
| | LSLMX6 | .089 | |
| | LSLMX7 | .689 | |
| | LSLMX8 | .733 | |
| The quality of economic leader-member exchange | | | .930 |
| | LELMX1 | .710 | |
| | LELMX2 | .858 | |
| | LELMX3 | .858 | |
| | LELMX4 | .825 | |
| | LELMX5 | .911 | |
| Degree of leader's trust | | | .746 |
| | LIT1 | .371 | |
| | LIT2 | .772 | |
| | LIT3 | .717 | |
| | LIT4 | -.018 | |
| | LIT5 | .443 | |
| | LIT6 | .667 | |

| Construct | Item Code | Corrected Item-Total Correlation | Value of Cronbach's Alpha |
|---|---|---|---|
| | LIT7 | .678 | |
| **Members' sample** | | | |
| The quality of leader-member exchange (as a vertical dyad linkage) | | | .871 |
| | MLMX1 | .731 | |
| | MLMX2 | .754 | |
| | MLMX3 | .675 | |
| | MLMX4 | .628 | |
| | MLMX5 | .844 | |
| | MLMX6 | .093 | |
| | MLMX7 | .830 | |
| The quality of social leader-member exchange | | | .747 |
| | MSLMX1 | Deleted | |
| | MSLMX2 | .094 | |
| | MSLMX3 | .705 | |
| | MSLMX4 | .531 | |
| | MSLMX5 | .284 | |
| | MSLMX6 | .073 | |
| | MSLMX7 | .719 | |
| | MSLMX8 | .744 | |
| The quality of economic leader-member exchange | | | .965 |
| | MELMX1 | .834 | |
| | MELMX2 | .899 | |
| | MELMX3 | .861 | |
| | MELMX4 | .837 | |
| | MELMX5 | .881 | |
| | MELMX6 | .831 | |
| | MELMX7 | .902 | |
| | MELMX8 | .849 | |
| Member's role conflict | | | .619 |
| | MRC1 | .612 | |
| | MRC2 | .186 | |
| | MRC3 | .059 | |
| | MRC4 | .589 | |
| | MRC5 | .568 | |
| | MRC6 | .235 | |
| | MRC7 | .194 | |
| | MRC8 | -.014 | |
| | MRC9 | Deleted | |
| Degree of member's psychological ownership | | | .943 |
| | MPO1 | .800 | |
| | MPO2 | .800 | |
| | MPO3 | .793 | |
| | MPO4 | .844 | |

| Construct | Item Code | Corrected Item-Total Correlation | Value of Cronbach's Alpha |
|---|---|---|---|
| | MPO5 | .771 | |
| | MPO6 | .825 | |
| | MPO7 | .849 | |
| Degree of member's trust | | | .781 |
| | MIT1 | .668 | |
| | MIT2 | .456 | |
| | MIT3 | .553 | |
| | MIT4 | .268 | |
| | MIT5 | .580 | |
| | MIT6 | .486 | |
| | MIT7 | .589 | |

### 3.2. Estimation of final values of study variables

Upon execution of reliability tests, mean values of the study's variables were calculated for further analysis. The final values of the study's variables (constructs) were obtained by calculating the mean values of respective items. The overall quality of leader-member exchange as a vertical dyad linkage (LMX) for the whole dyad was calculated as a mean of scores reported by leader and member in each dyad. Specifically, the first step was to calculate the mean of the set of items was calculated for each group (leaders and members) separately. Thus, the mean value of every leader's and member's scores of LMX was obtained. Then, the mean value was calculated for every dyad that comprised of leader's and member's scores (mean values) obtained during the first step. The final mean value obtained during the second step is hereinafter referred to as the "Quality of leader-member exchange as a vertical dyad linkage (LMX)". The same procedure was applied for the quality of social leader-member exchange (SLMX), economic leader-member exchange (ELMX), and the degree of trust level. The degree of member's psychological ownership was self-report based and thus was estimated as a mean of respective items (variables) which constitute the construct. The estimation is summarized in Table 11, including the respective titles that will be used in the following text to label the value for the whole leader-member dyad ("Quality of leader-member exchange as a vertical dyad linkage (LMX)", "Quality of social leader-member exchange (SLMX)", "Quality of economic leader-member exchange (ELMX)", "Degree of trust in leader-member relationship").

**Table 11. Estimation of final values of study variables**

| Study variable (according to the conceptual model) | Estimation |
|---|---|
| Quality of leader-member exchange as a vertical dyad linkage (LMX) | The mean value of the quality of LMX reported by the leader and the quality of LMX reported by the member (calculated for the whole dyad) |
| Quality of social leader-member exchange (SLMX) | The mean value of the quality of SLMX reported by the leader and the quality of SLMX reported by the member (calculated for the whole dyad) |
| Quality of economic leader-member exchange (ELMX) | The mean value of the quality of ELMX reported by the leader and the quality of ELMX reported by the member (calculated for the whole dyad) |
| Degree of trust in leader-member relationship | The mean value of the degree of trust reported by the leader and the degree of trust reported by the member (calculated for the whole dyad) |
| Degree of member's psychological ownership | The mean value of the items (variables) reported by the member (self-report based measure) |

### 3.3. Analysis of construct validity (factor analysis)

The study relies on the previous research, discussed in the previous chapters, showing five latent measures: leader-member exchange as a vertical dyad linkage (LMX), social leader-member exchange (SLMX), economic leader-member exchange (ELMX), interpersonal trust and psychological ownership. To verify that all measures represent separable constructs, I performed two confirmatory factor analyses (CFAs). Bartlett tests for sphericity and Kaiser, Meyer, Olkin measures of sampling adequacy suggest that each measure is comprised of correlated items and that the sample size should be sufficient to identify the corresponding factors (Dziuban & Shirkey, 1974) (Table 12).

**Table 12. Bartlett's test of sphericity and Kaiser, Meyer, Olkin test of sampling adequacy**

| Measure | $\chi^2$ | Bartlett's *df* | P value | KMO MSA |
|---|---|---|---|---|
| LMX | 4077.84 | 91.00 | 0.00 | 0.88 |
| SLMX | 2832.43 | 55.00 | 0.00 | 0.67 |
| ELMX | 9079.84 | 66.00 | 0.00 | 0.92 |
| IT | 2297.92 | 91.00 | 0.00 | 0.89 |
| MPO | 1634.47 | 21.00 | 0.00 | 0.95 |

Corrected test-item correlations and Cronbach's alpha values for all items and the corresponding measures, respectively, are shown in Table 13. Most item-test correlations are quite high, all Cronbach's alpha values are in excess of .82 and sufficient to suggest good reliability of all measures.

**Table 13. Item correlations and Cronbach's alpha for each item and measure**

| Construct | Item Code | Corrected Item-Total Correlation | Value of Cronbach's Alpha |
|---|---|---|---|
| The quality of leader-member exchange (as a vertical dyad linkage) | | | .92 |
| | LLMX1 | .80 | |
| | LLMX2 | .88 | |
| | LLMX3 | .79 | |
| | LLMX4 | .75 | |
| | LLMX5 | .86 | |
| | LLMX6 | .08 | |
| | LLMX7 | .03 | |
| | MLMX1 | .76 | |
| | MLMX2 | .80 | |
| | MLMX3 | .70 | |
| | MLMX4 | .69 | |
| | MLMX5 | .84 | |
| | MLMX6 | .17 | |
| | MLMX7 | .83 | |
| The quality of social leader-member exchange | | | .82 |
| | MSLMX2 | .19 | |
| | MSLMX3 | .74 | |
| | MSLMX4 | .60 | |
| | MSLMX5 | .37 | |
| | MSLMX6 | .08 | |
| | MSLMX7 | .75 | |
| | LSLMX2 | .11 | |
| | LSLMX3 | .69 | |
| | LSLMX4 | .62 | |
| | LSLMX5 | .23 | |
| | LSLMX6 | .08 | |
| | LSLMX7 | .73 | |
| The quality of economic leader-member exchange | | | .97 |
| | LELMX1 | .83 | |
| | LELMX2 | .91 | |
| | LELMX3 | .87 | |
| | LELMX4 | .80 | |
| | LELMX5 | .89 | |
| | MELMX1 | .84 | |
| | MELMX2 | .91 | |
| | MELMX3 | .87 | |
| | MELMX4 | .84 | |
| | MELMX5 | .90 | |
| | MELMX6 | .83 | |
| | MELMX7 | .91 | |

| Construct | Item Code | Corrected Item-Total Correlation | Value of Cronbach's Alpha |
|---|---|---|---|
| Interpersonal trust | | | .86 |
| | LIT1 | .40 | |
| | LIT2 | .82 | |
| | LIT3 | .80 | |
| | LIT4 | -.00 | |
| | LIT5 | .45 | |
| | LIT6 | .76 | |
| | LIT7 | .75 | |
| | MIT1 | .68 | |
| | MIT2 | .48 | |
| | MIT3 | .60 | |
| | MIT4 | .32 | |
| | MIT5 | .69 | |
| | MIT6 | .49 | |
| | MIT7 | .63 | |
| Degree of member's psychological ownership | | | .94 |
| | MPO1 | .80 | |
| | MPO2 | .80 | |
| | MPO3 | .79 | |
| | MPO4 | .84 | |
| | MPO5 | .77 | |
| | MPO6 | .82 | |
| | MPO7 | .85 | |

The first CFA related each item to the corresponding survey, while the second related all items to a common latent variable. Results from these analyses are presented in Table 14. The $\chi^2$ tests corresponding to these analyses are both significant, suggesting that the items in question lack independence in the way specified by each CFA. Thus, the tests simultaneously conclude that all items have a non-zero shared variance (single-factor CFA) and that the items within each measure have, on average, more variance shared between them than would be expected by chance (assuming independence of items). The $\Delta\chi^2$ result indicates a better fit for the single-factor solution: a single, general factor is a better explanation for the covariance in these data than five orthogonal factors. This finding appears to contradict earlier results suggesting that these measures are separate, but this conclusion might be too strong in light of additional analysis. A variety of contextual variables can influence the success of a factor analysis (MacCallum, Widaman, Zhang, & Hong, 1999). However, this finding also indicates that common method variance may be an issue (Podsakoff et al., 2003).

**Table 14. Comparison of one- and five-factor solutions using confirmatory factor analysis**

| Model | $\chi^2$ | *df* | CFI | TLI | RMSEA | SRMR | $\Delta\chi^2$ *(df)* |
|---|---|---|---|---|---|---|---|
| 5-factor | $1.080865 \times 10^4$*** | 1585 | 0.59 | 0.58 | 0.14 | 0.24 | - |
| 1-factor | $1.130599 \times 10^4$*** | 1595 | 0.57 | 0.56 | 0.15 | 0.06 | 497.35*** |

*Note:* *** p < .001; ** p < .01; * p < .05, N = 288.

An examination of the scree plot for this dataset (Figure 10) and the results of a single-factor exploratory factor analysis (Table 15) point to a single latent factor that strongly relates to nearly all of the items under consideration. The large first eigenvector relative to the others indicates potential common method variance.

**Figure 10. Scree plot for all relevant items**

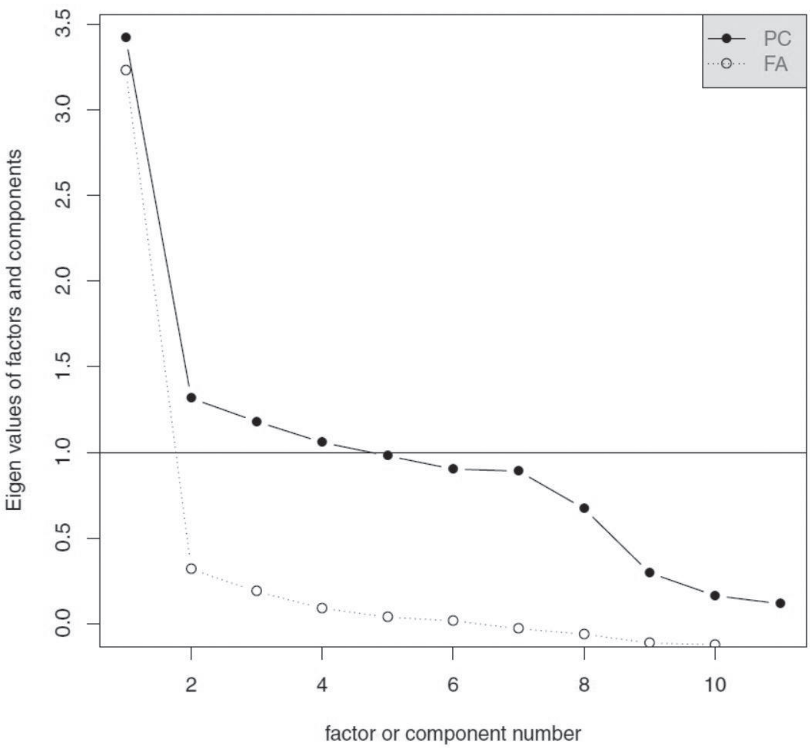


**Table 15. Comparison of factor loadings for a one-factor solution (g) or a five-factor solution from exploratory factor analysis**

| Measure | Item | *g* | F1 | F2 | F3 | F4 | F5 |
|---|---|---|---|---|---|---|---|
| The quality of leader-member exchange (as a vertical dyad linkage) | LLMX1 | .79 | -.28 | | | | |
| | LLMX2 | .85 | -.36 | | | | |
| | LLMX3 | .72 | -.37 | | | | |
| | LLMX4 | .69 | -.34 | | | | |
| | LLMX5 | .80 | -.42 | | | | |
| | LLMX6 | | | | | | |
| | LLMX7 | | | | | | |
| | MLMX1 | .72 | -.32 | | | | |
| | MLMX2 | .75 | -.38 | | | | |
| | MLMX3 | .67 | -.30 | | | | |
| | MLMX4 | .65 | -.30 | | | | |
| | MLMX5 | .73 | -.41 | | | | |
| | MLMX6 | | | | | | |
| | MLMX7 | .73 | -.39 | | | | |
| The quality of social leader-member exchange | MSLMX2 | | | | | | |
| | MSLMX3 | .76 | -.37 | | | | |
| | MSLMX4 | .51 | -.34 | | | | |
| | MSLMX5 | | -.30 | | | | |
| | MSLMX6 | | | | 1.00 | | |
| | MSLMX7 | .77 | -.28 | | | | |
| | LSLMX2 | | | | | | |
| | LSLMX3 | .72 | -.35 | | | | |
| | LSLMX4 | .50 | -.35 | | | | |
| | LSLMX5 | | .28 | | | | |
| | LSLMX6 | | | | 1.00 | | |
| | LSLMX7 | .78 | -.27 | | | | |
| | LELMX1 | .72 | | .69 | | | |
| The quality of economic leader-member exchange | LELMX2 | .91 | | | | .42 | |
| | LELMX3 | .88 | | | | | .46 |
| | LELMX4 | .80 | | | | | |
| | LELMX5 | .89 | | | | | |
| | MELMX1 | .73 | | .67 | | | |
| | MELMX2 | .91 | | | | .40 | |
| | MELMX3 | .88 | | | | | .45 |
| | MELMX4 | .74 | -.33 | .63 | | | |
| | MELMX5 | .89 | -.31 | | | .39 | |
| | MELMX6 | .73 | | .68 | | | |
| | MELMX7 | .90 | | | | .42 | |

| Measure | Item | *g* | F1 | F2 | F3 | F4 | F5 |
|---|---|---|---|---|---|---|---|
| Interpersonal trust | LIT1 | .41 | | | | | |
| | LIT2 | .78 | -.31 | | | | |
| | LIT3 | .82 | -.31 | | | | |
| | LIT4 | | | | | | |
| | LIT5 | .46 | -.21 | | | | |
| | LIT6 | .72 | -.27 | | | | |
| | LIT7 | .70 | -.29 | | | | |
| | MIT1 | .65 | -.39 | | | | |
| | MIT2 | .44 | -.23 | | | | |
| | MIT3 | .63 | | | | | |
| | MIT4 | .29 | -.23 | | | | |
| | MIT5 | .64 | -.25 | | | | |
| | MIT6 | .53 | | | | | |
| | MIT7 | .67 | -.27 | | | | |
| Degree of member's psychological ownership | MPO1 | .76 | -.35 | | | | |
| | MPO2 | .75 | -.26 | | | | |
| | MPO3 | .75 | -.26 | | | | |
| | MPO4 | .79 | -.30 | | | | |
| | MPO5 | .77 | -.22 | | | | |
| | MPO6 | .79 | -.32 | | | | |
| | MPO7 | .80 | -.32 | | | | |

*Note:* only factor loadings with an absolute value of > .2 are displayed.

Additional analysis shows that there may be some variability in the quality of measurement for the different constructs under consideration. The figures in Annex 1 show the Cronbach-Mesbah curves associated with each measure (Cronbach, 1951). These curves show the change in Cronbach's associated with sequential addition of items that maximally increase among the available items. A monotonically increasing (positively sloping) Cronbach-Mesbah curve suggests unidimensionality, as each item contributes to the reliability of the measure. Despite reasonable overall Cronbach's measures, the Cronbach-Mesbah curves for four of the five measures suggest incoherence.

While the results of these tests are taken into consideration, the further study is based on the extensive previous research in organizational sciences, confirming the constructs under investigation to be distinct.

### 3.4. Descriptive and comparative results

To obtain a detailed insight into the data, descriptive analysis was performed before testing the hypotheses. Reliability analysis of the study variables is also provided in this part of the dissertation. The data set includes 124 cases of leader responses, 288 cases of member responses, and no values are missing. The tests for normality indicate that the variables are distributed non-normally (Sig. value < .05). The results for tests of normality are presented in Annex 4. Non-normal data distribution is common in social sciences and normality is rather an exception than a rule (Buning, 1997; Micceri, 1989; Nanna & Sawilowsky, 1998). In order to avoid the loss of some effects in further modelling, raw data transformation and outlier deletion was deemed to be unsuitable. Instead, respective techniques and tests, such as non-parametric tests or Spearman's rank correlation instead of classical Pearson's correlation, was applied with regard to non-normal data. To provide a general outlook of the data, descriptive statistics, including means, medians, and minimum and maximum values are further discussed for leaders' and members' samples. Table 16, Table 17 present an overview of all of the items in the leaders' and members' questionnaires, as well as single dyads. Results for each item are discussed further.

**Table 16. Descriptive statistics in separate leader and member samples**

| | | Whole sample (of leaders or members) | | Leaders in relation with non-family employee | | Leaders in relation with family member | |
|---|---|---|---|---|---|---|---|
| | | Statistic | Std. Error | Statistic | Std. Error | Statistic | Std. Error |
| Quality of leader-member exchange (as a vertical dyad linkage), reported by leader | Mean | 3.8452 | .03700 | 3.3223 | .02113 | 4.4989 | .01435 |
| | Median | 3.6429 | | 3.2857 | | 4.5714 | |
| | Std. Deviation | .62787 | | .26726 | | .16233 | |
| | Minimum | 2.71 | | 2.71 | | 4.14 | |
| | Maximum | 4.86 | | 4.14 | | 4.86 | |
| Quality of social leader-member exchange, reported by leader | Mean | 4.8675 | .04109 | 5.3900 | .03218 | 4.2143 | .03031 |
| | Median | 4.8571 | | 5.4286 | | 4.1429 | |
| | Std. Deviation | .69739 | | .40702 | | .34297 | |
| | Minimum | 3.43 | | 4.29 | | 3.43 | |
| | Maximum | 6.29 | | 6.29 | | 6.00 | |
| Quality of economic leader-member exchange, reported by leader | Mean | 2.5625 | .06866 | 3.5738 | .02558 | 1.2984 | .01733 |
| | Median | 3.2000 | | 3.6000 | | 1.2000 | |
| | Std. Deviation | 1.16523 | | .32360 | | .19602 | |
| | Minimum | 1.00 | | 2.60 | | 1.00 | |
| | Maximum | 4.40 | | 4.40 | | 2.00 | |
| Degree of leader's trust | Mean | 3.7460 | .04305 | 3.1759 | .03409 | 4.4587 | .02015 |
| | Median | 3.5714 | | 3.1429 | | 4.4286 | |
| | Std. Deviation | .73057 | | .43118 | | .22793 | |
| | Minimum | -1.00 | | -1.00 | | 3.71 | |
| | Maximum | 5.00 | | 4.00 | | 5.00 | |
| | | **Whole sample** | | **Non-family employees** | | **Family members** | |
| Quality of leader-member exchange (as a vertical | Mean | 4.0188 | .03961 | 3.4723 | .02630 | 4.7020 | .01670 |
| | Median | 3.8571 | | 3.4286 | | 4.7143 | |
| | Std. Deviation | .67212 | | .33263 | | .18890 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| dyad linkage), reported by member | Minimum | 2.43 | | 2.43 | | 3.71 | |
| | Maximum | 5.00 | | 4.29 | | 5.00 | |
| Quality of social leader-member exchange, reported by member | Mean | 4.8267 | .04177 | 5.3589 | .03293 | 4.1615 | .03004 |
| | Median | 4.8571 | | 5.4286 | | 4.1429 | |
| | Std. Deviation | .70891 | | .41657 | | .33990 | |
| | Minimum | 3.43 | | 4.29 | | 3.43 | |
| | Maximum | 6.29 | | 6.29 | | 6.00 | |
| Quality of economic leader-member exchange, reported by member | Mean | 2.5035 | .06073 | 3.3445 | .04049 | 1.4521 | .02283 |
| | Median | 2.7500 | | 3.3750 | | 1.3750 | |
| | Std. Deviation | 1.03061 | | .51218 | | .25829 | |
| | Minimum | 1.00 | | 1.63 | | 1.00 | |
| | Maximum | 4.38 | | 4.38 | | 2.50 | |
| Member's role conflict | Mean | 3.3746 | .03449 | 2.9422 | .02768 | 3.9150 | .02660 |
| | Median | 3.3750 | | 2.8750 | | 3.8750 | |
| | Std. Deviation | .58523 | | .35017 | | .30089 | |
| | Minimum | 2.00 | | 2.00 | | 3.25 | |
| | Maximum | 5.50 | | 4.25 | | 5.50 | |
| Member's psychological ownership | Mean | 3.8295 | .05544 | 3.0182 | .02354 | 4.8438 | .01339 |
| | Median | 3.4286 | | 3.0000 | | 4.8571 | |
| | Std. Deviation | .94078 | | .29778 | | .15152 | |
| | Minimum | 2.14 | | 2.14 | | 4.43 | |
| | Maximum | 5.00 | | 3.86 | | 5.00 | |
| Degree of member's trust | Mean | 3.8123 | .02912 | 3.4085 | .01709 | 4.3172 | .01559 |
| | Median | 3.7143 | | 3.4286 | | 4.2857 | |
| | Std. Deviation | .49420 | | .21617 | | .17633 | |
| | Minimum | 2.86 | | 2.86 | | 3.86 | |
| | Maximum | 4.71 | | 4.00 | | 4.71 | |

**Table 17. Descriptive statistics for dyads**

| | | Statistic | Std. Error |
|---|---|---|---|
| Overall quality of leader-member exchange (as a vertical dyad linkage) | Mean | 3.9320 | .03767 |
| | Median | 3.7143 | |
| | Std. Deviation | .63934 | |
| | Minimum | 2.71 | |
| | Maximum | 4.93 | |
| Overall quality of social leader-member exchange | Mean | 4.8471 | .04119 |
| | Median | 4.8571 | |
| | Std. Deviation | .69899 | |
| | Minimum | 3.43 | |
| | Maximum | 6.29 | |
| Overall quality of economic leader-member exchange | Mean | 2.5330 | .06414 |
| | Median | 2.9750 | |
| | Std. Deviation | 1.08852 | |
| | Minimum | 1.00 | |
| | Maximum | 4.39 | |
| Degree of overall trust in the relationship | Mean | 3.7792 | .03460 |
| | Median | 3.5714 | |
| | Std. Deviation | .58718 | |
| | Minimum | 1.29 | |
| | Maximum | 4.79 | |
| | Maximum | 4.29 | |

To obtain a further insight into the data, the frequencies have been calculated (the respective tables and graphs are provided in the Annex 3). The majority of respondents (68.75%) gave priority to the business goals as opposed to the family goals (31.25%). All of the leaders who participated in the study own shares in their business. Most family businesses in the study (78.80%) have been operating for 5-10 years, which is considerable, given that Lithuania has long been an instance of an emerging economy (from January 1, 2015, Lithuania has been considered to be an advanced economy according to the International Monetary Fund (*Annual Report 2015*, 2015). Most leaders (77.80%) in the study have been working in a particular company for 5-10 years, which matches the age of the company. It is likely that a great number of leaders are entrepreneurs who started these ventures. The greatest number of leaders (78.47%) in the study are middle aged – 36-40 years (39.93%), 41-45 years (29.51%), and 46-50 years (9.03%). About one-fifth (21.53%) of the leaders represent the younger generation of 31-35 years old. Most family businesses in this study are run by male leaders (90.60%) and a minor number are led by women (9.40%). Most leader-member relationships analyzed in this study have lasted for more than one year (96.20%). No non-family employees in this study owned shares in the business, which is considerable given that micro and small enterprises participated in the study. Only a small percentage (16.40%) of family members confirmed that they own some shares in the business. However, this number should be considered carefully, as it is known that in the case of family members involved in a business in Lithuania, all shares are often ascribed to business leaders on the basis of trust. Most non-family employees (95.60%) and family members (96.90%) had been working for more than one year with their leader. Almost all employees had been working in a particular company for 1-5 years (63.10% for non-family employees and 64.80% for family members) or 6-10 years (36.30% for non-family employees and 35.20% for family members). Most members in the study are beyond 30 years old (58.80% of non-family employees and 36.70% of family members). Interestingly, 36.70% of family members employed in the business are beyond 40 years, which could possibly indicate the involvement of spouses of the leaders in the business. The distribution of members by gender is approximately equal (60% male and 40% female among non-family employees and 64.10% male and 35.90% female among family members).

### *Differences across groups*

In order to obtain a better insight into the data prior to further hypothesis testing, the differences across groups were briefly evaluated. The patterns of response among different groups were compared in dependent variables with regard to (1) the type of member (family member or non-family employee), (2) whether the leader and member are associated by familial or non-familial ties, and (3) particular individual and relationship-related attributes, which are sociodemographic characteristics: gender, age, tenure in the company, tenure of leader-member relationship, and the member's ownership rights of the company.

Non-family employees indicate lower values of leader-member exchange as a vertical dyad linkage and higher values of social and economic leader-member exchange than family members. Within members' group, non-family employees hold more differing views about the quality of social leader-member exchange than family members. Family members report a greater degree of role conflict, psychological ownership of the business, and trust than non-family employees. The tenure of the relationship between the leader and member is associated with differing results reported by the members. Longer tenure of the leader-member relationship, which lasts beyond one year, results in slightly more differing views about the quality of social leader-member exchange and more differing degrees of role conflict than in relationships with a tenure of less than one year. However, these differences related to the tenure of the leader-member relationship are minor. Substantial differences in response patterns are observed with regard to ownership rights held by the members. Members who do hold ownership rights are more univocal in their responses in contrast to members who do not have ownership rights. At the same time, the members who do not have ownership rights evaluate the quality of social and economic leader-member exchanges as greater than those who have ownership rights. Having ownership rights is also associated with a greater degree of psychological ownership, degree of trust, and higher ratings on the quality of the leader-member exchange as a vertical dyad linkage. Most members have been working in their companies for more than one year, from 1 to 10 years. No major differences in reported values are observed with regard to the member’s tenure in the company. With regard to members’ ages, the responses followed similar patterns, that is, no major differences were observed in reported scores with regard to the member’s age. A number of differences can still be noticed, however. Members who are 26-30 or 41-45 years old, evaluate the quality of economic leader-member exchange lower than members in other age groups. Members who are 41-45 years old tend to evaluate the degree of trust in the leader and the degree of psychological ownership of the organization higher than members of other age groups. With regard to a member’s gender there were also no major differences in response patterns, except for females rating the quality of economic leader-member exchange higher. The only exception is that female members tended to evaluate the quality of economic leader-member exchange higher than male members. When related by non-familial ties to their members (LMR1 role-type of relationship), leaders reported greater quality of social and economic leader-member exchange. In these types of relationships, leaders evaluated the quality of leader-member exchange as a dyad linkage and the degree of trust in the member lower. Leaders who set business goals above family goals reported greater quality of economic leader-member exchange and slightly higher quality of social leader-member exchange. There were no noticeable differences in scores for the variables of the quality of leader-member exchange as a vertical dyad linkage and the degree of trust that leader has in the members. There were no major differences in response patterns with regard to a leader's age. Yet, 46-50-year-old leaders evaluated the quality of economic leader-member exchange slightly lower and the quality of social leader-member exchange slightly higher than leaders in the other age groups. Male leaders reported slightly higher degrees of trust in members than female leaders reported. However, it should be noted, that female leaders constituted a small number of the sample. There were no major differences in leaders' responses with regard to leader-member relationship tenure, with an exception that leaders report slightly lower degrees of trust in the members with whom their relationship has lasted for less than one year (6-12 months).

In sum, the descriptive statistics discussed in this section indicate that the main differences in evaluations by both members and leaders are related to the role-types of relationships – familial or non-familial ties that bind leaders and members. The following analysis will provide detailed insight into these differences as well as test the raised hypotheses.

### 3.5. Testing of the differences associated with role-types of leader-member relationships (H1)

The following set of statistical tests is aimed at analyzing the interplay between the different role-types of leader-member relationships (that is, non-familial, LMR1, and familial, LMR2) and the quality of leader-member exchange, level of trust in a leader-member relationship, degree of psychological ownership of the organization held by members, as well as the degree of role conflict experienced by members. The independent samples test (Mann-Whitney U test) and Spearman correlation are applied and discussed further.

***Independent samples test***

To explore if there are statistically significant differences in relationships depending on whether the leader and member are associated by familial or non-familial ties, the non-parametric independent samples test was applied. Since the data is distributed non-normally, the non-parametric Mann-Whitney U test was selected as an alternative to the dependent t-test. The test is applied from two perspectives: (1) when non-family employees and family members are considered as two categorical groups and (2) when the leaders are considered as two categorical groups depending on if they have a relationship with a family member or non-family employee. The results of the test are presented in Table 18. The test statistics (presented in Table 19) confirm statistically significant differences between family member and non-family employee groups.

**Table 18. Results for Mann-Whitney U test in the members' sample**

| | Family membership | Mean Rank | Sum of Ranks |
|---|---|---|---|
| Quality of leader-member exchange, reported by member (LMX) | No | 80.78 | 12924.00 |
| | Yes | 224.1 | 28692.00 |
| Quality of social leader-member exchange, reported by member (SLMX) | No | 206.0 | 32965.50 |
| | Yes | 67.58 | 8650.50 |
| Quality of economic leader-member exchange, reported by member (ELMX) | No | 207.9 | 33276.00 |
| | Yes | 65.16 | 8340.00 |
| Degree of member's role conflict | No | 83.83 | 13412.50 |
| | Yes | 220.3 | 28203.50 |
| Degree of member's psychological ownership | No | 80.50 | 12880.00 |
| | Yes | 224.5 | 28736.00 |
| Degree of member's trust | No | 80.54 | 12887.00 |
| | Yes | 224.4 | 28729.00 |
| Quality of leader-member exchange (LMX) | No | 80.53 | 12884.50 |
| | Yes | 224.4 | 28731.50 |
| Quality of social leader-member exchange (SLMX) | No | 206.2 | 32992.50 |
| | Yes | 67.37 | 8623.50 |
| Quality of economic leader-member exchange (ELMX) | No | 208.4 | 33357.00 |
| | Yes | 64.52 | 8259.00 |
| Degree of trust in a relationship | No | 80.50 | 12880.00 |
| | Yes | 224.5 | 28736.00 |

**Table 19. Mann-Whitney U Test statistics for the members' sample**

| | Mann-Whitney U | Wilcoxon W | Z | Asymp. Sig. (2-tailed) |
|---|---|---|---|---|
| Quality of leader-member exchange (as a vertical dyad linkage), reported by member | 44.000 | 12924.000 | -14.588 | .000 |
| Quality of social leader-member exchange, reported by member | 394.500 | 8650.500 | -14.050 | .000 |
| Quality of economic leader-member exchange, reported by member | 84.000 | 8340.000 | -14.587 | .000 |
| Degree of member's role conflict | 532.500 | 13412.500 | -13.860 | .000 |
| Degree of member's psychological ownership | 0.000 | 12880.000 | -14.674 | .000 |
| Degree of member's trust | 7.000 | 12887.000 | -14.657 | .000 |
| Quality of leader-member exchange (as a vertical dyad linkage) | 4.500 | 12884.500 | -14.600 | .000 |
| Quality of social leader-member exchange | 367.500 | 8623.500 | -14.069 | .000 |
| Quality of economic leader-member exchange | 3.000 | 8259.000 | -14.636 | .000 |
| Degree of trust in a relationship | 0.000 | 12880.000 | -14.614 | .000 |

Family members show higher mean ranks and thus, greater scores, in comparison to non-family employees in terms of the quality of the leader-member exchange as a vertical dyad linkage (224.16 in comparison to 80.78, $U$ = 44.000, $p$ < .001). Non-family employees in contrast to family members show higher mean ranks and, respectively, higher scores on the quality of the social leader-member exchange (206.03 in comparison to 67.58, $U$ = 394.500, $p$ < .001). Hypothesis $H1_b$ is thus partially supported, which stated that familial types of relationships will be associated with higher quality of leader-member exchange as a vertical dyad linkage

(LMX) and the social leader-member exchange (SLMX) than non-familial types of relationships.

Non-family employees reported greater degrees of the quality of economic leader-member exchanges than family members (207.98 in comparison to 65.16, $U = 84.000$, $p < .001$). Thus, hypothesis $H1_c$, which states that non-familial types of relationships will be associated with a higher quality of economic leader-member exchange (ELMX) than familial types of relationships is supported.

When the overall quality of exchange in a relationship is evaluated (considering ratings by both the leader and the member in a relationship), the quality of both social and economic exchange is higher in non-family members' group (206.20 in comparison to 67.37, $U = 367.500$, $p < .001$) in terms of social exchange and in terms of economic exchange (208.48 in comparison to 64.52, $U = 3.000$, $p < .001$). The overall leader-member exchange quality as a vertical dyad linkage for the whole relationship is higher in the group of family members (224.46 in comparison to 80.53, $U = 4.500$, $p < .001$).

The degree of role conflict reported by non-family employees is lower than family members' (83.8383 in comparison to 220.34, $U = 532.500$, $p < .001$). Thus, $H1_a$, which stated, that non-family employees will exhibit lower degrees of role conflict than family members is supported.

Family members reported greater degrees of psychological ownership of the organization than non-family employees (224.50 in comparison to 80.50, $U = 0.000$, $p < .001$). Hypothesis $H1_d$ states that family members will exhibit greater degrees of psychological ownership of the organization than non-family employees and, hence, is supported.

Family members report greater degrees of trust in the leader than non-family employees (224.45 in comparison to 80.54, $U = 7.000$, $p < .001$). Thus, hypothesis $H1_e$, which states that familial types of relationships will be associated with greater degrees of trust levels is supported. When the overall degree of trust in a relationship is considered (held by both the leader and the member in a relationship), it is also higher for the group of family members (224.50 in comparison to 80.50, $U < .000$, $p < .001$).

An additional perspective is presented when the leaders' sample is divided into two groups, with one of them representing leaders in relation to non-family employees and the other one – leaders in relation to family members. The results for the Mann

Whitney U Test are provided in Table 20. The test statistics (presented in Table 21), confirm statistically significant differences between familial and non-familial relationship types. Results in the leaders' sample indicate higher mean ranks and, thus, higher scores for non-familial relationship types in terms of the quality of social leader-member exchanges (205.98 in comparison to 67.65, $U$ = 403.000, $p$ < .001) and the quality of economic leader-member exchanges (mean rank of 208.50 in comparison to 64.50, $U$ = 0.000, $p$ < .001). Non-familial ties with members result in higher mean ranks on the quality of the leader-member exchange as a dyad linkage (224.48 in comparison to 80.52, $U$ = 3.000, $p$ < .001) and the degree of leader's trust (224.38 in comparison to 80.60, $U$ = 16.000, $p$ < .001). These results are represented in Table 20 and Table 21.

**Table 20. Results of Mann-Whitney U test in leaders' sample**

| | Leader's relation to the member (non-familial ties or familial ties) | Mean Rank | Sum of Ranks |
|---|---|---|---|
| Quality of leader-member exchange (vertical dyad linkage), reported by leader | Non-familial ties with member | 80.52 | 12883.00 |
| | Familial ties with member | 224.48 | 28733.00 |
| Quality of social leader-member exchange, reported by leader | Non-familial ties with member | 205.98 | 32957.00 |
| | Familial ties with member | 67.65 | 8659.00 |
| Quality of economic leader-member exchange, reported by leader | Non-familial ties with member | 208.50 | 33360.00 |
| | Familial ties with member | 64.50 | 8256.00 |
| Degree of leader's trust | Non-familial ties with member | 80.60 | 12896.00 |
| | Familial ties with member | 224.38 | 28720.00 |

**Table 21. Mann-Whitney U Test statistics for leaders' sample**

| | Quality of LMX, reported by leader | Quality of SLMX, reported by leader | Quality of ELMX, reported by leader | Degree of leader's trust |
|---|---|---|---|---|
| Mann-Whitney U | 3.000 | 403.000 | 0.000 | 16.000 |
| Wilcoxon W | 12883.000 | 8659.000 | 8256.000 | 12896.000 |
| Z | -14.666 | -14.036 | -14.721 | -14.624 |
| Asymp. Sig. (2-tailed) | .000 | .000 | .000 | .000 |

*Note:* Grouping Variable: Leader's relation to the member (non-familial ties or familial ties). Scores reported by leaders are considered.

### *Spearman correlation*

Correlational analysis is further performed to report the associations among study variables. Due to non-normal data distribution, the Spearman correlation is applied. Figure 11, Figure 12, and Figure 13 present the results. When all members (regardless of their role as a non-family employee or family member) evaluate the quality of the leader-member exchange as a vertical dyad linkage, positive relationships manifest between the quality of exchange and the degrees of leaders' and members' trust, members' role conflict, and members' psychological ownership. A negative relationship is observed between the quality of exchange and the relationship type (familial or non-familial ties) with the leader. The same positive relationships turn into negative relationships when the quality of the social leader-member exchange and the quality of the economic leader-member exchange are considered.

**Figure 11. Correlations between the leader-member exchange evaluated by both parties and other variables**

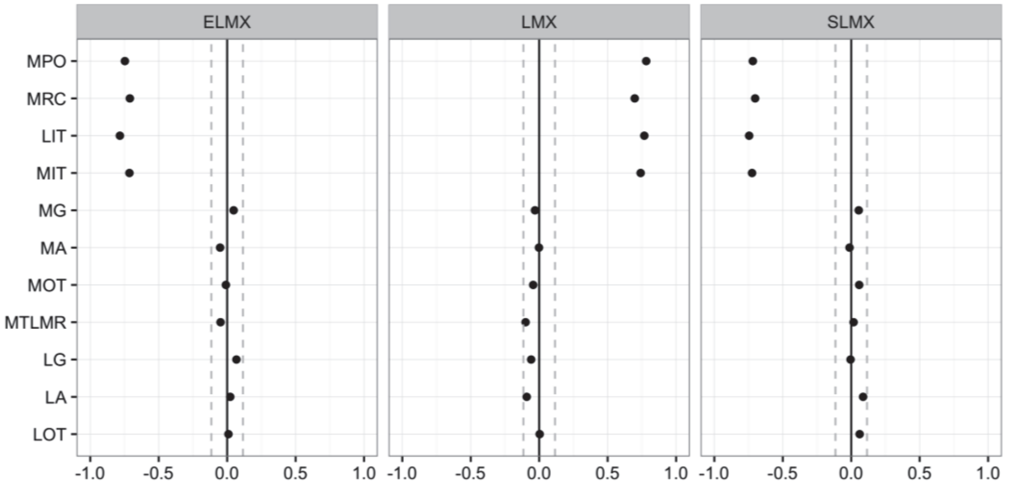
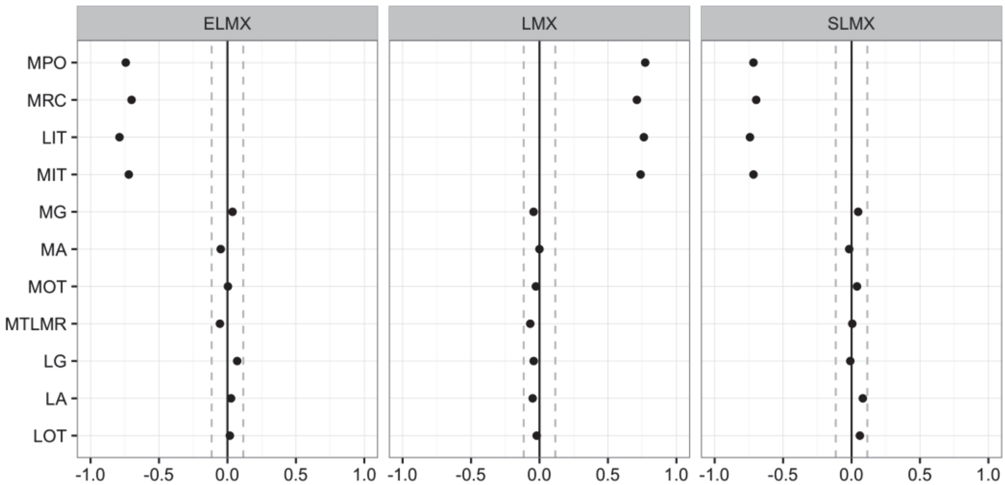
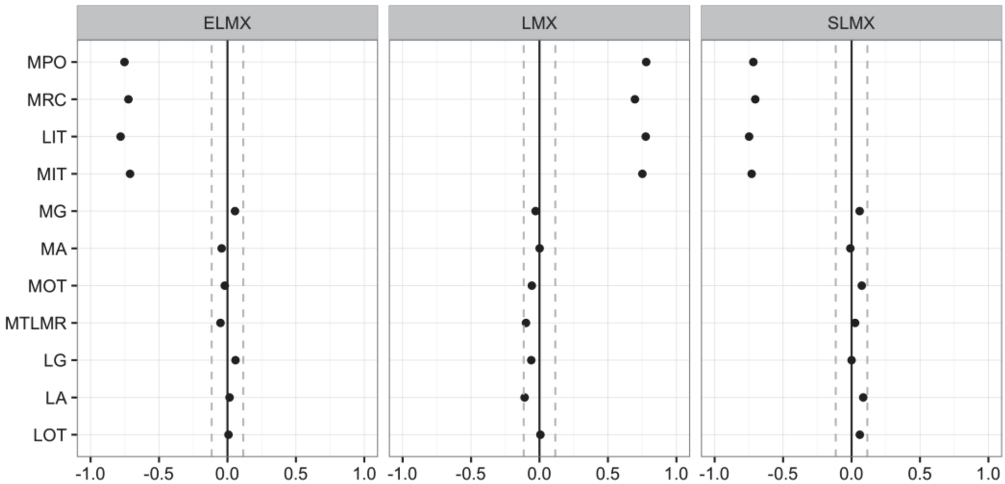



**Figure 12. Correlations between leader-member exchange evaluated by leaders, and other variables**



When only leaders' responses are considered, the same correlations are observed as in evaluations by both parties. Namely, there are positive relationships between the quality of LMX as a vertical dyad linkage and degrees of leaders' and member's trust, members' role conflict and members' psychological ownership. These relationships are negative when the quality of SLMX and ELMX are considered.

**Figure 13. Correlations between leader-member exchange evaluated by members, and other variables**




When members' responses are considered in isolation, the same significant relationships are evident as in previous cases (between the quality of exchange and the degree of leaders' and member's trust, members' role conflict, and members' psychological ownership). However, in the members' sample two additional negative relationships are observed – between the quality of LMX and leaders' age and the type of relationship.

The first set of hypotheses, which are related to the differences arising due to role-types of relationships, is summed up as follows:

1. $H1_a$ states that non-family employees will exhibit lower degrees of role conflict than family members and is supported.
2. Hypothesis $H1_b$ states that familial types of relationships will be associated with a higher quality of leader-member exchange as a vertical dyad linkage (LMX) and social leader-member exchange (SLMX) than non-familial types of relationships, and is thus partially supported.
3. Hypothesis $H1_c$ states that non-familial types of relationships will be associated with a higher quality of economic leader-member exchange (ELMX) than familial types of relationships and is supported.
4. Hypothesis $H1_d$ states that family members will exhibit greater degrees of psychological ownership of the organization than non-family employees and is supported.
5. Hypothesis $H1_e$ states that familial types of relationships will be associated with greater degrees of trust level and is supported.

## 3.6. Testing of the conditional effects and mediation models (Hypotheses H2-H7)

In order to explore the conditional effects of the leader-member exchange and the different types of relationships, a conditional process analysis was performed. Firstly, in order to examine the underlying mechanism of the effect of leader-member exchanges on members' psychological ownership, a mediation analysis was performed to test the underlying relationships among the variables. The variables in the analysis were mean-centered. The number of bootstrap samples for bias corrected bootstrap confidence intervals was 10000. The model coefficients, direct, indirect, and total effects, are presented in unstandardized form since the "standardized effects are scaled in terms of variability of the sample [and] they are not comparable across studies conducted by different investigators regardless of whether the same scales of measurement are used" (Hayes, 2013, p. 200). 200). The level of confidence for all confidence intervals in the analysis is 95.00. All standard errors for continuous outcome models are based on the HC3 estimator.

***Analysis of the quality of the leader-member exchange as a vertical dyad linkage (LMX) effect on members' psychological ownership***

The direct and indirect effects of the quality of the leader-member exchange as a vertical dyad linkage (LMX) on members' psychological ownership is estimated with a mediator – degree of trust. To produce coefficient *a,* the degree of trust (M) is regressed on the quality of leader-member exchanges (X). The degree of members' psychological ownership is regressed on the degree of trust and the quality of LMX to produce *b* and *c.* Table 22 presents the results of the simple mediation analysis on the leader-member exchange as a vertical dyad linkage (LMX). To sum up, in the form of OLS regression models:

$M = 0.5994 + 0.8087X$

$Y = -1.8278 + 0.6217X + 0.8412M$

The direct effect of the quality of the leader-member exchange as a vertical dyad linkage (LMX) on the degree of members' psychological ownership (marked MPO) is statistically significant from zero ($t = 8.5409$, $p < .001$), with a 95% confidence interval from 0.6474 to 1.0351. The direct effect of the quality of LMX on members' psychological ownership is 0.841, which is the estimated difference in degree of members' psychological ownership between two members who are engaged in relationships with the same degree of trust (marked IT) but who differ by one unit in terms of the quality of LMX they are engaged in. Thus, a member who is engaged in an LMX of a higher quality, but with the same degree of trust in a relationship, is estimated to be 0.841 points higher in the degree of psychological ownership of the organization.

The total indirect effect of the quality of the leader-member exchange as a vertical dyad linkage (LMX) on the degree of members' psychological ownership through degree of trust within the relationship equals to $ab = 0.8087(0.6217) = 0.5028$. That is, two members who differ by one unit in the quality of the leader-member exchange as a vertical dyad linkage (LMX) which they are engaged in are estimated to differ by 0.5028 units in their reported degree of psychological ownership. This is a result of the tendency of those who are engaged in LMX of a higher quality to experience a higher degree of trust (derived for the whole relationship), which in turn translates into a greater degree of psychological ownership of the organization by members. This indirect effect is statistically different from zero, as confirmed by a 95% BC bootstrap confidence interval that is entirely above zero (from 0.3582 to 0.6647). The normal theory-based Sobel test shows the same results with Z=5.1680, $p < .001$. It is observed from the results that when an indirect effect is considered, $R^2$=0.8681, that is, 86.81% of the variance is explained by the model with the quality of exchange and degree of trust as a mediator.

The total effect of the quality of LMX on the degree of members' psychological ownership is statistically different from zero $t = 40.2530$, $p < .001$ and between 1.2783 and 1.4097 with confidence. The total effect is 1.3440 (derived by adding direct and indirect effects, c = c' + ab = 0.841 + 0.5028 = 1.3438 or by regressing the degree of members' psychological ownership on the quality of LMX). Two members who differ by one unit in the quality of LMX they are engaged in are estimated to differ by 1.3438 in their reported degree of psychological ownership of the organization.

Since the direct effect of the quality of the leader-member exchange as a vertical dyad linkage (LMX) on the degree of members' psychological ownership (marked MPO) is statistically significant from zero ($t = 8.5409$, $p < .001$, with a 95% confidence interval from 0.6474 to 1.0351), the indirect effect is statistically different from zero, as confirmed by a 95% BC bootstrap confidence interval that is entirely above zero (from 0.3582 to 0.6647), and the total effect is statistically different from zero ($t = 40.2530$, $p < .001$, and between 1.2783 and 1.4097 with confidence) and equals to 1.3440, hypotheses H2 and H5 are supported, where:

H2 is that the quality of leader-member exchange as a vertical dyad linkage (LMX) will have a positive effect on members' psychological ownership of the organization;

H5 is that trust will mediate the relationship between the leader-member exchange (LMX) as a vertical dyad linkage and the degree of a member's psychological ownership.

### Table 22. Results for the quality of LMX simple mediation analysis

| | **Model 1** | **Model 2** | **Model 3 (total effect model)** |
|---|---|---|---|
| Dependent variable | Trust | MPO | MPO |
| *Independent variable / mediator* | | | |
| *LMX* | .8087** | .8412** | 1.3440** |
| S.E. | .0257 | .0985 | .0334 |
| t | 31.4760 | 8.5409 | 40.2530 |
| LLCI | .7581 | .6474 | 1.2783 |
| ULCI | .8593 | 1.0351 | 1.4097 |
| Total effect | | | 1.3440** |
| S.E. | | | .0334 |
| t | | | 40.2530 |
| LLCI | | | 1.2783 |
| ULCI | | | 1.4097 |
| Direct effect | | | .8412** |
| S.E. | | | .0985 |
| t | | | 8.5409 |
| LLCI | | | .6474 |
| ULCI | | | 1.0351 |
| *Trust* | | .6217** | |
| S.E. | | .1186 | |
| t | | 5.2417 | |
| LLCI | | .3883 | |
| ULCI | | .8552 | |
| Indirect effect | | | .5028 |
| Boot S.E. | | | .0804 |
| Boot LLCI | | | .3582 |
| Boot ULCI | | | .6647 |
| $R^2$ mediation effect size | | | .7608 |
| Boot S.E. | | | .0220 |
| Boot LLCI | | | .7120 |
| Boot ULCI | | | .7991 |
| *Normal theory test for indirect effect* | | | |
| Effect | | | .5028** |
| S.E. | | | .0973 |
| Z | | | 5.1680 |
| *Constant* | .5994** | -1.8278** | -1.4552** |
| S.E. | .1091 | .1603 | .1423 |
| t | 5.4959 | -11.4022 | -10.2288 |
| LLCI | .3847 | -2.1434 | -1.7352 |
| ULCI | .8140 | -1.5123 | -1.1752 |
| *Model summary* | | | |
| R | .8805** | .9317** | .9134** |
| $R^2$ | .7753** | .8681** | .8343** |
| MSE | .0777 | .1176 | .1472 |
| *F*-statistics | 990.7393 | 885.7044 | 1620.3078 |
| df1 | 1.0000 | 2.0000 | 1.0000 |
| df2 | 286.0000 | 285.0000 | 286.0000 |

*Note:* * $p < .05$; ** $p < .01$

***Analysis of the quality of the effect of the social leader-member exchange (SLMX) on members' psychological ownership***

In order to further examine if there are differences in the mechanisms when the social leader-member exchange (SLMX) is considered in place of LMX, the same type of analysis is applied. The direct and indirect effects of the quality of social leader-member exchanges on members' psychological ownership is estimated with a mediator – degree of trust. To produce coefficient *a,* the degree of trust (M) is regressed on the quality of social leader-member exchanges (X). The degree of members' psychological ownership is regressed on the degree of trust and the quality of SLMX to produce *b* and *c.* Table 23 presents the results of the social leader-member exchange's (SLMX) simple mediation analysis. To sum up, in the form of OLS regression models:

$M = 7.0336 - 0.6714X$

$Y = 1.6356 + 1.0672X - 0.3795M$

The direct effect of the quality of social leader-member exchanges (SLMX) on the degree of members' psychological ownership (marked MPO) is statistically significant from zero ($t = -26.3878$, $p < .001$), with a 95% confidence interval from -1.1778 to -1.0143. The direct effect of the quality of SLMX on the degree of members' psychological ownership is -0.380, which is the estimated difference in members' degree of psychological ownership between two members who are engaged in relationships with the same degree of trust (marked IT) but who differ by one unit in terms of the quality of SLMX they are engaged in. Thus, a member who is engaged in an SLMX of higher quality, but with the same degree of trust level in a relationship, is estimated to be 0.380 points lower (since the coefficient is negative) in the degree of psychological ownership of the organization.

The total indirect effect of the quality of social leader-member exchanges (SLMX) on the degree of members' psychological ownership through the degree of trust within the relationship equals to $ab = -0.6714(1.0672) = -0.7165$. That is, two members, who differ by one unit in the quality of social leader-member exchange (SLMX) that they are engaged in are estimated to differ by 0.7165 units in their reported degree of psychological ownership. This is a result of the tendency of those who are engaged in SLMX of a higher quality to experience lower degrees of trust (derived from the whole relationship), which in turn translates into lower degrees of psychological ownership of the organization by the members. This indirect effect is statistically different from zero, as confirmed by a 95% BC bootstrap confidence interval that is entirely below zero (from -.8562 to -.5723). The normal theory-based Sobel test shows the same results with Z = -7.5798, $p < .001$. As it can be noted, when an indirect effect is considered, $R^2$=0.8234, that is, 82.34% of variance is explained by the model with the quality of exchange and trust level as mediators.

The total effect of the quality of SLMX on the degree of members' psychological ownership is statistically different from zero $t$ = -26.3878, $p$ < .001, and between -1.1778 and -1.0143 with confidence. The total effect is -1.0960 (derived by adding the direct and indirect effects, c = c' + ab = -0.380 + (-0.7165), or by regressing the degree of members' psychological ownership on the quality of SLMX. Two members who differ by one unit in the quality of SLMX they are engaged in are estimated to differ by 1.0960 in their reported degree of psychological ownership of the organization.

Since the direct effect of the quality of social leader-member exchanges (SLMX) on the degree of members' psychological ownership (marked MPO) is statistically significant from zero ($t$ = -26.3878, $p$ < .001, with a 95% confidence interval from -1.1778 to -1.0143), the indirect effect is statistically different from zero. This is confirmed by a 95% BC bootstrap confidence interval that is entirely below zero (from -.8562 to -.5723), and the total effect is statistically different from zero $t$ = -26.3878, $p$ < .001, and between -1.1778 and -1.0143 with confidence and equals -1.0960; therefore, hypothesis H3 is rejected and hypothesis H6 is partially supported, where:

H3 is that both the quality of leader-member exchange as a vertical dyad linkage (LMX) and the quality of social leader-member exchange (SLMX) will have a positive effect on the degree of a member's psychological ownership.

H6 is that trust will mediate the relationship between the social leader-member exchange (SLMX) and the degree of a member's psychological ownership.

**Table 23. Results for the quality of SLMX simple mediation analysis**

| | **Model 1** | **Model 2** | **Model 3 (total effect model)** |
|---|---|---|---|
| Dependent variable | Trust | MPO | MPO |
| *Independent variable / mediator* | | | |
| *SLMX* | -.6714** | -.3795* | -1.0960** |
| S.E. | .0273 | .0968 | .0415 |
| t | -24.5545 | -3.9218 | -26.3878 |
| LLCI | -.7252 | -.5699 | -1.1778 |
| ULCI | -.6716 | -.1890 | -1.0143 |
| Total effect | | | -1.0960** |
| S.E. | | | .0415 |
| t | | | -26.3878 |
| LLCI | | | -1.1778 |
| ULCI | | | 1.0143 |
| Direct effect | | | -.3795* |
| S.E. | | | .0968 |
| t | | | -3.9218 |
| LLCI | | | -.5699 |
| ULCI | | | -.1890 |
| *Trust* | | 1.0672** | |
| S.E. | | .1338 | |
| t | | 7.9755 | |
| LLCI | | .8038 | |
| ULCI | | 1.3306 | |
| Indirect effect | | | -.7165 |
| Boot S.E. | | | .0745 |
| Boot LLCI | | | -.8562 |
| Boot ULCI | | | -.5723 |
| $R^2$ mediation effect size | | | .6344 |
| Boot S.E. | | | .0316 |
| Boot LLCI | | | .5679 |
| Boot ULCI | | | .6924 |
| *Normal theory test for indirect effect* | | | |
| Effect | | | -.7165** |
| S.E. | | | .0945 |
| Z | | | -7.5798 |
| *Constant* | 7.0336** | 1.6356 | 9.1420** |
| S.E. | .1292 | .9630 | .2004 |
| t | 54.4567 | 1.6984 | 45.6184 |
| LLCI | 6.7793 | -.2599 | 8.7475 |
| ULCI | 7.2878 | 3.5311 | 9.5364 |
| *Model summary* | | | |
| R | .7993** | .9074** | .8143** |
| $R^2$ | .6388** | .8234** | .6631** |
| MSE | .1250 | .1574 | .2992 |
| *F*-statistics | 602.9222 | 554.7296 | 696.3176 |
| df1 | 1.0000 | 2.0000 | 1.00000 |
| df2 | 286.0000 | 285.0000 | 286.0000 |

*Note:* * p < .05; ** p < .01

***Analysis of the quality of the effect of economic leader-member exchanges (ELMX) on members' psychological ownership***

In order to further examine if there are differences in the mechanisms when the economic leader-member exchange (ELMX) is considered in place of ELMX, the same type of analysis is applied. The direct and indirect effects of the quality of economic leader-member exchanges on members' psychological ownership is estimated with a mediator – degree of trust. To produce coefficient *a,* the degree of trust (M) is regressed on the quality of the economic leader-member exchange (X). The degree of members' psychological ownership is regressed on the degree of trust and the quality of ELMX to produce *b* and *c.* Table 24 presents the results of the economic leader-member exchange's (ELMX) simple mediation analysis. To sum up, in the form of OLS regression models:

$M = 4.9862 – 0.4765X$

$Y = 2.7287 + 0.6215X – 0.4927M$

The direct effect of the quality of economic leader-member exchanges (ELMX) on the degree of members' psychological ownership (marked MPO) is statistically significant from zero ($t = -8.4413$, $p < .001$) with a 95% confidence interval from -0.6075 to -0.3778. The direct effect of the quality of ELMX on the degree of members' psychological ownership is -0.4927, which is the estimated difference in the degree of members' psychological ownership between two members who are engaged in relationships with the same degree of trust (marked IT) but who differ by one unit in terms of the quality of ELMX they are engaged in. Thus, a member who is engaged in an ELMX of higher quality, but with the same degree of trust in a relationship, is estimated to be 0.4927 points lower (the coefficient is negative) in the degree of psychological ownership of the organization.

The total indirect effect of the quality of social leader-member exchanges (ELMX) on the degree of members' psychological ownership through the degree of trust within relationships equals $ab = -0.4765(0.6215) = -0.2961$. That is, two members who differ by one unit in the quality of economic leader-member exchanges (ELMX) which they are engaged in are estimated to differ by 0.2961 units in their reported degree of psychological ownership. This is a result of the tendency of those who are engaged in ELMX of a higher quality to experience a lower degree of trust (derived from the whole relationship), which in turn translates into a lower degree of psychological ownership of the organization by members. This indirect effect is statistically different from zero, as confirmed by a 95% BC bootstrap confidence interval that is entirely below zero (from -0.4035 to -0.2138). The normal theory-based Sobel test shows the same results with Z= -5.4683, $p < .001$. As it can be noted, when an indirect effect is considered, $R^2$=0.8660, that is, 86.60% of the variance is explained by the model with the quality of exchange and trust level as mediators.

The total effect of the quality of ELMX on the degree of members' psychological ownership is statistically different from zero $t$ = -42.2651, $p < .001$, and between -0.8255 and -0.7521 with confidence. The total effect is -0.7888 (derived by adding direct and indirect effects, c = c' + ab = -0.4927 + (-0.2961), or by regressing the degree of members' psychological ownership level on the quality of ELMX. That is, two members who differ by one unit in the quality of ELMX they are engaged in are estimated to differ by 0.7888 in their reported degree of psychological ownership of the organization.

Since the direct effect of the quality of economic leader-member exchanges (ELMX) on the degree of members' psychological ownership (marked MPO) is statistically significant from zero ($t$ = -8.4413, $p < .001$, with a 95% confidence interval from -0.6075 to -0.3778) the indirect effect is statistically different from zero, as confirmed by a 95% BC bootstrap confidence interval that is entirely below zero (from -0.4035 to -0.2138). Since the total effect is statistically different from zero ($t$ = -42.2651, $p < .001$, and between -0.8255 and -0.7521 with confidence) and equals -0.7888, hypotheses H4 and H7 are supported, where:

H4 states that the quality of economic leader-member exchange (ELMX) will have a negative effect on the degree of member's psychological ownership in contrast to the quality of leader-member exchange as a vertical dyad linkage (LMX).

H7 states that trust will mediate the relationship between the economic leader-member exchange (ELMX) and the degree of a member's psychological ownership.

**Table 24. Results for the quality of ELMX simple mediation analysis**

| | **Model 1** | **Model 2** | **Model 3 (total effect model)** |
|---|---|---|---|
| Dependent variable | Trust | MPO | MPO |
| *Independent variable / mediator* | | | |
| *ELMX* | -.4765** | -.4927* | -.7888** |
| S.E. | .0128 | .0584 | .0187 |
| t | -37.3091 | -8.4413 | -42.2651 |
| LLCI | -.5017 | -.6075 | -.8255 |
| ULCI | -.4514 | -.3778 | -.7521 |
| Total effect | | | -.7888** |
| S.E. | | | .0187 |
| t | | | -42.2651 |
| LLCI | | | -.8255 |
| ULCI | | | -.7521 |
| Direct effect | | | -.4927** |
| S.E. | | | .0584 |
| t | | | -8.4413 |
| LLCI | | | -.6075 |
| ULCI | | | -.3778 |
| *Trust* | | .6215** | |
| S.E. | | .1124 | |
| t | | 5.5300 | |
| LLCI | | .4003 | |
| ULCI | | .8427 | |
| Indirect effect | | | -.2961** |
| Boot S.E. | | | .0489 |
| Boot LLCI | | | -.4035 |
| Boot ULCI | | | -.2138 |
| $R^2$ mediation effect size | | | .7616 |
| Boot S.E. | | | .0259 |
| Boot LLCI | | | .7022 |
| Boot ULCI | | | .8051 |
| *Normal theory test for indirect effect* | | | |
| Effect | | | -.2961** |
| S.E. | | | .0542 |
| Z | | | -5.4683 |
| *Constant* | 4.9862** | 2.7287 | 5.8276** |
| S.E. | .0313 | .5717 | .0438 |
| t | 159.3413 | 4.7228 | 132.9700 |
| LLCI | 4.9246 | 1.6034 | 5.7413 |
| ULCI | 5.0478 | 3.8541 | 5.9138 |
| *Model summary* | | | |
| R | .8834** | .9036** | .9127** |
| $R^2$ | .7803** | .8660** | .8330** |
| MSE | .0760 | .1194 | .1483 |
| *F*-statistics | 1391.9722 | 1126.1033 | 1786.3409 |
| df1 | 1.0000 | 2.0000 | 1.00000 |
| df2 | 286.0000 | 285.0000 | 286.0000 |

*Note:* * p < .05; ** p < .01

In order to further investigate the cause of a negative effect of the quality of social exchange on the degree of trust, further analysis was performed. An additional regression test is run (results are presented in Table 25). The left model considers non-familial ties, the middle model – familial ties and the right-most model includes all cases. As results of the models confirm, the quality of social leader-member exchange is negatively related with the degree of interpersonal trust, even when controlling for additional variables (coefficient is -.005 for the non-familial dyads and -.116 for the familial dyads). The negative relationship is observed in both sub-groups, however, in comparison between familial and non-familial dyads, only for the familial dyads is this relationship significantly different from zero ($p < .01$). Results show that member's role conflict has a small negative effect on the interpersonal trust level as well. However, as there is a strong correlation between member's role conflict and the type of the leader-member relationship, member's role conflict could be considered a proxy variable in this relationship. Despite that the negative effect of the quality of social leader-member exchange on interpersonal trust is not high, it provides an observation that a negative (rather than positive) effect may arise in the subgroup of familial dyads. As it already can be assumed from descriptive results, the source of these differences may be related to the members in the relationships. Thus, an additional regression is run (presented in Table 26), which confirms that within familial dyads and specifically members' subgroup, there is a small negative effect of the quality of social leader-member exchange on interpersonal trust (coefficient is -.115, $p < .01$). The implications of these results are further analyzed in the discussion session of this dissertation.

**Table 25. Degree of trust regressed onto the quality of social leader-member exchange (SLMX)**

| | **Model 1 (non-familial)** | **Model 2 (familial)** | **Model 3 (combined)** |
|---|---|---|---|
| Quality of SLMX | -.005<br>(.050) | -.116***<br>(.043) | -.437***<br>(.039) |
| Member's role conflict | .020<br>(.059) | -.093*<br>(.047) | .391***<br>(.047) |
| Relationship tenure (more than 1 year) | -.058<br>(.100) | .022<br>(.082) | -.003<br>(.099) |
| Leader's gender (female) | -.070<br>(.070) | .027<br>(.049) | -.005<br>(.065) |
| Member's gender (female) | .030<br>(.042) | -.028<br>(.030) | .031<br>(.039) |
| Constant | 3.312*** (.345) | 5.221*** (.258) | 4.572*** (.327) |
| Observations | 160 | 128 | 288 |
| $R^2$ | .012 | .090 | .712 |
| Adjusted $R^2$ | -.020 | .053 | .706 |
| Residual Std. Error | .256 (df = 154) | .158 (df = 122) | .318 (df = 282) |
| *F* | .375 (df = 5; 154) | 2.419** (df = 5; 122) | 139.160***<br>(df = 5; 282) |

*Note:* * p < .1; ** p < .05; *** p < .01. Unstandardized regression coefficients, coefficient standard errors in parentheses. Constant term reflects a male/male dyad of < 1-year tenure.

**Table 26. Degree of trust regressed onto the quality of social leader-member exchange (SLMX) (members in familial dyads)**

| | **Dependent variable: interpersonal trust** |
|---|---|
| Quality of social leader-member exchange | -.115*** (.041) |
| Member's role conflict | -.088* (.047) |
| Relationship tenure (more than 1 year) | .022 (.082) |
| Leader's gender (female) | .029 (.049) |
| Member's gender (female) | -.027 (.030) |
| Constant | 5.195*** (.249) |
| Observations | 128 |
| $R^2$ | .093 |
| Adjusted $R^2$ | .056 |
| Residual Std. Error | .158 (df = 122) |
| *F* | 2.509** (df = 5; 122) |

*Note:* * p < .1; ** p < .05; *** p < .01. Unstandardized regression coefficients, coefficient standard errors in parentheses. Constant term reflects a male/male dyad of < 1-year tenure.

In order to deeper analyze the strength of associations between constructs, canonical correlation analysis was performed. The linear relationship between two sets of variables was tested. Figure 14 presents results of the analysis. The white peaks on the graphs mark the latent features, while the black peaks mark the highly apparent features. On an individual level (Figure 15), in non-family relationship-based associations, combinations with expressed degrees of leaders' trust and members' role conflict are associated with a highly expressed quality of the leader-member exchange as a vertical dyad linkage. In non-family relationships the very same highly expressed quality of the leader-member exchange as a vertical dyad linkage is associated with members' psychological ownership, leaders' trust level, and leaders' organizational tenure. Analysis on a relationship level reveals in family-based associations reveals that highly expressed degrees of leaders' and members' trust, members' psychological ownership, and members' role conflict are associated with highly expressed leader-member exchanges as a vertical dyad linkage.

**Figure 14. Canonical correlations: individual level**

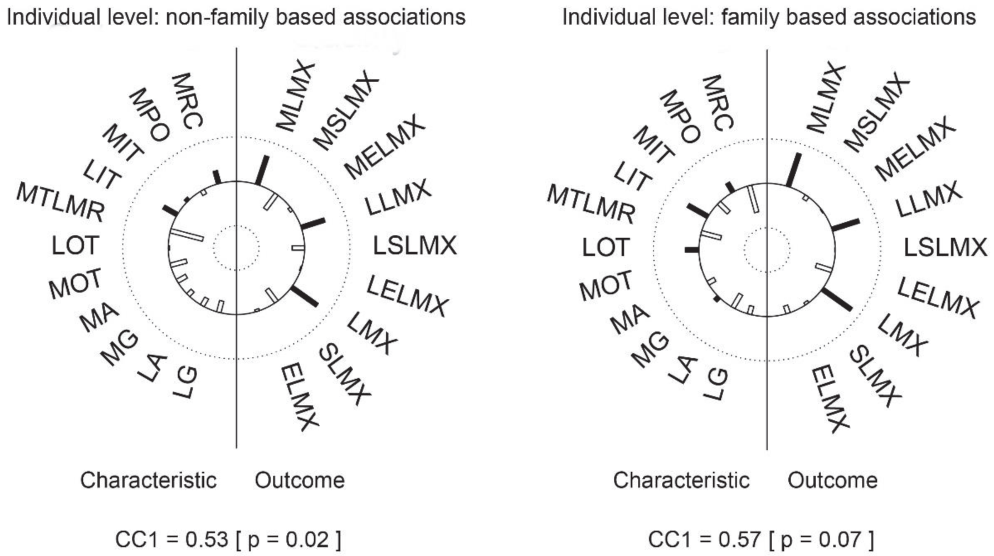



**Figure 15. Canonical correlations: relationship level**

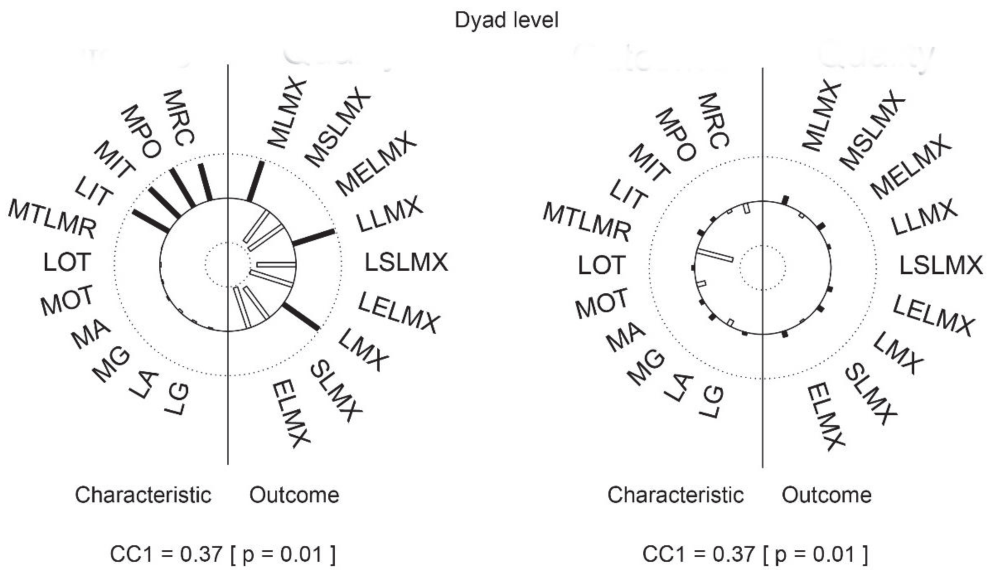


**Table 27. Summary of tested hypotheses**

| Hypothesis | | Test result |
|---|---|---|
| **H1** | The role-types of leader-member relationships will be differently associated with qualitative characteristics of leader-member relationships. Specifically: | **Supported** |
| **H1 a** | Non-family employees will exhibit lower degrees of role conflict than family members. | **Supported** |
| **H1 b** | Familial types of relationships will be associated with higher degrees of quality of the leader-member exchange (LMX) as a vertical dyad linkage and social leader-member exchange (SLMX) than non-familial types of relationships. | **Partially supported** |
| **H1 c** | Non-familial types of relationships will be associated with a higher quality of the economic leader-member exchange (ELMX) than familial types of relationships. | **Supported** |
| **H1 d** | Family members will exhibit greater degrees of psychological ownership of the organization than non-family employees. | **Supported** |
| **H1 e** | Familial types of relationships will be associated with greater degrees of trust than non-familial types of relationships. | **Supported** |
| **H2** | The quality of the leader-member exchange (LMX) as a vertical dyad linkage will have a positive effect on the degree of members' psychological ownership of the organization. | **Supported** |
| **H3** | Both the quality of leader-member exchange as a vertical dyad linkage (LMX) and the quality of social leader-member exchange (SLMX) will have a positive effect on the degree of a member's psychological ownership. | **Rejected** |
| **H4** | The quality of economic leader-member exchange (ELMX) will have a negative effect on the degree of member's psychological ownership in contrast to the quality of leader-member exchange as a vertical dyad linkage (LMX). | **Supported** |
| **H5** | Trust will mediate the relationship between the leader-member exchange (LMX) as a vertical dyad linkage and the degree of a member's psychological ownership. | **Supported** |
| **H6** | Trust will mediate the relationship between the social leader-member exchange (SLMX) and the degree of a member's psychological ownership. | **Partially supported** |
| **H7** | Trust will mediate the relationship between the economic leader-member exchange (ELMX) and the degree of a member's psychological ownership. | **Supported** |

The set of hypotheses was raised to empirically evaluate the interplay among the family business context, leader-member relationships, psychological ownership, and trust. In sum, the major part of the hypotheses (H1, H2, H4, H5, H7) were supported, confirming (1) statistically significant differences, associated with role-types of leader-member relationships and (2) the conditional process of the effect of the quality of leader-member exchanges on the degree of psychological ownership of an organization held by members via the degree of trust in a leader-member relationship as a mediating variable. Two hypotheses ($H1_b$ and H6) were partially supported, while one hypothesis (H3) was rejected, unveiling a number of additional findings involving the fact that (1) there is a negative effect on the quality of social leader-member exchanges (SLMX) on the level of trust in leader-member relationships associated with family members' perceptions; and that (2) the application of the leader-member exchange as a vertical dyad linkage (LMX) or the social leader-member exchange (SLMX) perspectives can result in differing findings about the effects of the quality of leader-member exchanges. The results of the empirical study are discussed in more details in the next section.

# 4. DISCUSSION

The discussion of the results of the empirical analysis in this dissertation is provided in this section. The results in the empirical study address the issues raised via theoretical analysis: (1) the differences in leader-member exchanges that are evoked by family involvement in the business, and (2) the accuracy in conceptualization of leader-member exchanges.

***The differences in leader-member exchanges that are evoked by family involvement in the business***

When empirical results of the study are evaluated with regard to the role-type of leader-member relationships, a set of differences associated with them, is observed:

***The quality of leader-member exchanges and role conflict***. Memili et al. (2015) highlight that family businesses can entail role conflict as a result of family and business overlap. The study confirms that in the case of non-family employees, relationship between the quality of LMX and members' role conflict is not significant, while for family members the quality of LMX is negatively associated with members' role conflict. Furthermore, family members' role conflict manifests in all three perspectives (LMX, SLMX, ELMX) and its relationship with the quality of leader-member exchanges is negative. While family members' role conflict can be associated with the duality of roles that they hold as employees and family members (Memili et al., 2015), the empirical study results add that the role conflict is likely to also be related to the exchange that occurs between the family member subordinate and the family business leader. Despite greater degrees of role conflict experienced by family members in contrast to non-family employees, family members still report a higher quality of leader-member exchanges than non-family employees. Thus, the positive association between the quality of LMX and members' role conflict suggests that either role conflict does not necessarily translate into lower levels of LMX quality or that the greater quality of LMX does not necessarily mitigate the role conflict experienced by the members. This observation also reflects findings by (Harris & Kacmar, 2006), who found a curvilinear relationship between the quality of LMX relationships and subordinate stress: as the quality of LMX increased, the experienced stress increased as well. These mixed findings indicate that high-quality LMX relationships can have negative outcomes associated with the negotiation of roles (Harris & Kacmar, 2006).

***Relationship between the quality of leader-member exchanges and trust.*** Schriesheim et al. (1999) argue that trust is an important aspect of leader-member exchanges. Mutual trust is also associated with positive exchange outcomes by a number of authors (Bernerth et al., 2007; Colquitt, Scott, & LePine, 2007; Dirks & Ferrin, 2002; Dulebohn et al., 2012; Gomez & Rosen, 2001; Konovsky & Pugh, 1994; Organ, 1990; Rousseau et al., 1998; Wat & Shaffer, 2005). The findings about the relationship between the quality of leader-member exchanges and the degrees of both parties' trust in leader-member relationships reinforce these observations. The empirical study revealed that the degree of leaders' trust is positively associated with the quality of LMX when both parties' responses are considered at once and basing on the members' responses. When family members' responses are considered in isolation, a negative relationship between the quality of social leader-member exchange is observed. It can potentially be related to a different set of meanings that family members have in the concept of trust. A mediation mechanism of the effect of social leader-member exchanges on trust can come into play. For example, obligation-based normative commitment and opportunity-cost based continuous commitment may cause conflicting emotions (Sharma & Irving, 2002). Thus, members' satisfaction with the quality of exchanges may not necessarily increase the degree of trust, that is, the willingness to be vulnerable to the leader. In the case when limits are neglected, family members can evaluate the exchanges as of good quality, but sense that the greater quality may lead to greater abuse. Expectations in and from social exchanges are related to psychological contracts (Blau, 1964; Rousseau, 1989). A psychological contract is interchangeably characterized in terms of expectations and obligations in exchanges (Conway & Briner, 2005). A psychological contract is based on the individualized schema of an employment relationship (Rousseau & Fried, 2001) and is based on the generalized values about reciprocity and hard work via family, school, peer groups, and interactions with others that develop early in life (Morrison & Robinson, 2004). In business families, the building of psychological contracts can thus start from early childhood (Brundin & Sharma, 2012; Sharma & Manikutty, 2005). With increased levels of altruism from family members, however, the norm of reciprocity that takes place in social exchanges (Gouldner, 1960) can be breached. Such a state is caused by the breach of a psychological contract or the condition of voluntary choice

(Rousseau, 2004) and can lead to mistrust (Zhao, Wayne, Glibkowski, & Bravo, 2007). In sum, eventually, the greater quality of social exchange may have a negative effect on the degree of trust that is observed in the empirical findings of this study.

In addition to this, the study revealed that members who are non-family employees report lower levels of the quality of social leader-member exchanges with their leaders (LMX). In extension of the arguments by Barnett and Kellermanns (2006); Lemons and Jones (2001); Mitchell et al. (2003), the findings of this empirical study suggest that non-family employees may evaluate the quality of social leader-member exchanges lower by evaluating their relative standing or RLMX (Henderson et al., 2008; Liden & Antonakis, 2009) in contrast to leader-member exchanges in which both individuals are family members. The findings suggest that these perceptions can potentially be a result of the differentiation by the leader between family and non-family employees and due to the member being in the out-group of the family (Mitchell et al., 2003).

***The relationship between the quality of leader-member exchanges and psychological ownership.*** Bernhard and O'Driscoll (2011); Pieper and Klein (2007) state that in the family business context, specifically, psychological ownership attaches family to the business. Via family social capital that shapes organizational culture, individuals may be more willing to reciprocate and thus invest themselves in the company as an object of psychological ownership (Arregle et al., 2007). Hence, human resource management practices should be developed in a way to increase the degree of psychological ownership among non-family employees (Corbetta & Salvato, 2004). As expected, the findings of the empirical study confirmed that in the case of family SME's, CEOs or top managers, who are owners, typically hold a high degree of psychological ownership by default. Family members do hold a greater degree of psychological ownership of the organization in contrast to non-family employees. The study results also confirm that the quality of social leader-member exchanges (LMX and SLMX) can have a positive effect on the degree of psychological ownership of the organization held by the members. Thus, these findings augment the arguments by Corbetta and Salvato (2004) and add that proper development of human resource practices and policies in the family business context, with a specific focus on relationships between leaders and members, can positively affect the degree of psychological ownership by family members and non-family employees. In addition to this, non-family employees may require special attention since, as it is expected, their degrees of psychological ownership of the organization are lower. A set of additional observations is noted with respect to control variables. Negative relationships are observed in non-familial relationships between the quality of LMX and leaders' age and gender, as well as members' organizational tenure, suggesting, that some changes in perceptions about the quality of leader-member exchanges may be associated with the time spent by non-family employees in the company. Due to the small number of female leaders in the study, the inference is not made about the association between perceptions and the leader's gender, although previous literature does suggest that the parties may perceive the quality of exchange differently due to matching or differing gender. However, as the results of this study suggest, perception about the quality of exchanges can differ with regard to a leader's age. Interestingly, the same observations about gender or age do not apply for relationships with familial ties – perceptions, maybe as a result of familial ties, do not change in this regard.

***The causal mechanism of the effect of leader-member exchanges on psychological ownership with trust as a mediating variable.*** To the very best of my knowledge, the causal underlying mechanism of the quality of leader-member exchanges on the degree of psychological ownership of organization held by its members in the family business context has not been studied. The theoretical study in this dissertation suggests that the quality of leader-member exchange can have an indirect effect on the degree of psychological ownership by members via the mediating variable of trust. The results of the empirical study confirm that the quality of leader-member exchanges has (1) a direct effect on the degree of psychological ownership of the organization held by members and (2) an indirect effect via the mediating variable of trust in leader-member relationships. The effects and underlying mechanisms are summed up as follows:

1. Members in leader-member relationships (both family and non-family employees), who are engaged in LMX of higher quality are likely to experience higher degrees of trust exhibited by leaders and members in leader-member relationships, which in turn translates into greater degree of psychological ownership of the organization that they have.
2. Members who are non-family employees and are engaged in SLMX of a higher quality are likely to experience higher degrees of trust exhibited by leaders and

members in leader-member relationships, which in turn translates into a greater degree of psychological ownership of the organization that they have.

3. Family members who are engaged in SLMX of a higher quality are likely to experience lower degrees of trust exhibited by leaders and members in leader-member relationships, which in turn translates into lower degrees of psychological ownership of the organization by members.

4. Members in leader-member relationships (both family and non-family employees) who are engaged in ELMX of greater quality, are likely to experience lower degrees of trust exhibited by leaders and members in leader-member relationships, which in turn translates into lower degrees of psychological ownership of the organization by members.

***The accuracy in conceptualization of leader-member exchange.*** Bernerth et al. (2007); Shore et al. (2006) state that employment of social and economic perspectives on leader-member exchanges can be theoretically more consistent with the notion of social exchange in contrast to an approach to the leader-member exchange as a vertical dyad linkage. The study in this dissertation reinforces this discussion. Namely, the differences in findings are observed between the quality of LMX and SLMX. According to the traditional view on leader-member exchange (LMX), high-quality exchanges are related to positive results that are primarily based on the social side of the interaction (Shore et al., 2006). Thus, theoretically, if the LMX approach is exhaustive, the empirical results in the measurement of LMX and SLMX should coincide and the results in LMX, and ELMX should be the opposite. Yet, the results for LMX and SLMX do not coincide – the correlations have different directions. However, the results of the empirical study in this dissertation suggest that results can differ with respect to the employed approach.

When evaluations for the whole relationship based on both parties' responses are considered, the same significant relationships between variables are observed, yet with different effects (positive or negative). The quality of LMX is positively associated with degrees of members' psychological ownership and degree of trust in leader-member relationships. As predicted, the relationship between the quality of ELMX and the degrees of members' psychological ownership, as well as degrees of trust in leader-member relationships, is also significant, but negative. However, when SLMX is considered, the very same relationships are also significant and negative, although if an LMX perspective is exhaustive, the results for LMX and SLMX should match and confirm significant positive relationships between variables. As it can be additionally observed from simple mediation analysis, the underlying mechanism of the effect of leader-member exchanges (be it vertical dyad linkage, social or economic exchange) on the members' psychological ownership is working through the mediator, that is, the degree of interpersonal trust in a relationship. However, analysis of leader-member exchanges through different lenses (LMX, SLMX, ELMX) yields contradictory observations if we consider them based on the traditional view of leader-member exchanges. According to the traditional view of the leader-member exchange as a vertical dyad linkage (LMX), high quality relationships are associated with a greater quality of a social dimension of exchange. Applications of both LMX and SLMX as measures of exchange quality in specific family business contexts with a clear diversification of relationships (familial and non-familial) unveil interesting differences that likely arise due to family members' (acting as followers in a relationship) perception of social exchange quality and trust in the leader. In addition to this, the differences in the effect that the quality of social exchange has on psychological ownership of members and trust in leader-member relationships are revealed only when the SLMX approach is adopted. The traditional LMX approach does not unveil these differences.

These findings suggest that the employment of SLMX and ELMX approaches can yield more specific results than LMX alone. Thus, these results reinforce the idea that both social and economic transactions can coexist in relationships (Shore et al., 2006) and that a deeper investigation of relationships from both dimensions can provide us with more specific insights, rather than investigation of LMX as a vertical dyad linkage as a sole manifestation of exchange. The application of traditional LMX measure for all role-types of relationships can mask the real underlying mechanisms. Thus, if solely a measure of LMX is selected, accurate building of understanding of causal mechanisms and boundary conditions of LMX effects, as well as the causal mechanisms linking leadership to outcomes that are highlighted by Mayer and Piccolo (2006), Avolio, Walumbwa, et al. (2009) can be undermined. Finally, the findings in this study suggest that the relationship between social exchange and trust, and/or their manifestation among family members and/or the way family members construct their perceptions can be complex questions that deserve further study. In line with arguments by Johns (2006) and Shamir and Howell (1999), the findings reinforce previous calls for contextual studies with a focus on leadership in general, and leader-member exchanges in particular.

## Limitations

The results presented in this dissertation are subject to a number of limitations:

1. Correlational research design has its weaknesses due to the third variable problem, i.e., it is hard to explain the causal relationships between two variables. Such a limitation could be overcome by experimental design; however, within the scope of the problem analyzed in this study it is hardly possible to manipulate leader-member exchanges. For this reason, the solution is to rely on a correlational design.
2. As leadership is not constant across situations and over time (Denis et al., 2001; Scully et al., 1994), the follower's perceptions about the exhibited leader behavior and style will also change. Despite acknowledging leadership as a process, the empirical study within this dissertation is limited to findings at one time-point, rather than involving longitudinal design and collecting the data over a particular timespan. A follower's relationship with the leader will be among the factors that will determine his or her attribution (Eberly, Holley, Johnson, & Mitchell, 2011). In other words, the fundamental attribution error, whether the follower will perceive the shifts in the leader's behavior as dispositional or situational (Ross, 1977) will together with consistency, consensus, and distinctiveness be influenced by the relationship between the follower and the leader. Thus, the study involves an assumption that positively perceived relationships by the members will contribute to later development and judgments about the leader-member relationship as reported by the member.
3. The data in the empirical study was collected from multiple data sources, yet, due to the self-report nature of some items in the questionnaires (role conflict of leaders and members), the common method variance may still be an issue (Podsakoff et al., 2003). For this reason, the usage of alternative measures of study variables are anticipated in upcoming research.
4. The empirical study was conducted in micro and small enterprises in the services industry. Although such a choice was reasoned by the aim to examine the direct, close relationships between leaders and members, the relatively small

company size of up to 20 employees and, as a result, increased social interactions and levels of communication may condition specific norms, culture, expectations, behavior and other outcomes. Thus, further studies with companies of the same and different size would accrue understanding about the study variables.

5. In terms of the geographical scope and market context, the empirical findings are derived from Lithuania, which is an example of an emerging market. While such a context may yield interesting insights, results can be subject to the cultural and cross-cultural questions and settings of an emerging economy. Again, future studies in other countries could augment the findings on the questions addressed in this dissertation.

6. The study does not involve a multi-level analysis of leadership although it acknowledges that leadership is a multi-level phenomenon (Yammarino et al., 2005). Since this dissertation was driven by a primary aim to investigate the role of role-types of leader-member relationships, the current study was purposefully based on a dyad level of analysis. Thus, analysis from a multi-level phenomenon approach is anticipated in future studies.

## Implications for further research

The study in this dissertation contributes to the recent calls for contextual studies in organizational research (Johns, 2006; Shamir & Howell, 1999), contextual studies in leadership and leader-member exchanges in particular, along with variables that affect LMX (Balkundi & Kilduff, 2006; Dienesch & Liden, 1986; Dulebohn et al., 2012; Mayer & Piccolo, 2006; Rousseau & Fried, 2001), indirect effect that the family influence has on the business (Chrisman et al., 2008), studies on role conflict in family business (Memili et al., 2015), as well as cooperation and synergy between family and business systems (Aldrich & Cliff, 2003; Corbetta & Salvato, 2004). It also addresses the call for family business research to not only borrow from sister disciplines, but also give back in terms of theoretical contributions (Zahra & Sharma, 2004). The current findings yield several directions that can be suggested for further studies:

1. Studies further investigating the moderating effect that the role-type of leader-member relationship may have on a number of outcomes would add to the stream of literature with a focus on competitive advantages of family businesses that are often related to family human capital and family social capital (Rodriguez et al., 2009).

2. Biological linkages are transferred to virtually all contexts (Stets & Burke, 2000). The type of kinship ties (biological, blood, affinal, or even legal linkages) can have influence on the relationship. In the family business context, it has long been noted that individuals may have different relationships with other family members, depending on their type (Barnes, 1988; Curimbaba, 2002; Dumas, 1990; Friedman, 1991; Grote, 2003; Haberman & Danes, 2007; Jimenez, 2009; Kaye, 1992; Kaslow, 1998; Lee, 2006b; Livingston, 2011; Vera & Dean, 2005). Marital linkages (between spouses) do not include biological/blood ties and there is a difference when spouses can get a divorce and when the relationship includes family members, to whom someone is biologically linked (parents, children, siblings). Thus, further investigations deeper into this type of relationship could provide additional knowledge as to whether particular familial relationships have an additional effect.

3. As the modest findings of the study show, the results of the leader-member exchange as a vertical dyad linkage and social leader-member exchanges do not necessarily coincide given a specific organizational context. Thus, further investigations that would attest to or reject these findings could significantly add to our knowledge of Leader-Member Exchange Theory applications with careful attention to context.

4. Despite greater degrees of trust that members have with regard to their leaders when both parties are bound by familial ties, the quality of exchange has a negative effect on trust. This finding suggests that there might be a specific conditional mechanism that underlies this relationship. Further studies on trust and social exchanges in this type of relationship can unveil additional findings about family influence on the business. Family members may have different meanings for the notions of quality of exchange and trust. If additional studies would confirm that this is the case, an adaptation of Leader-Member Exchange Theory for the family business context can be necessitated.

5. Further studies that would entail experimental design could substantially increase our knowledge via causal inferences about the mechanisms underlying the leader-member exchange and outweigh the wide employment of field survey research rather than experimental designs (Avolio, Reichard, Hannah, Walumbwa, & Chan, 2009; Yukl, 2002). Furthermore, longitudinal design of studies, multi-level perspective, and group-level research in LMX (Mayer & Piccolo, 2006) would increase our understanding about leadership in family businesses as a multi-level phenomenon.

## Practical implications

A number of practical implications can be addressed as a result of this study:

1. As Astrachan and Pieper (2010) note, “as in many other contexts, family influence is likely neither inherently bad nor good” (p. 3) and family social capital (Rodriguez et al., 2009) is a prerequisite to competitive advantages in family businesses. Positive social relationships are thus paramount, be it family members who work in the business or the ones who are not employed in the company (Sorenson & Bierman, 2009). Therefore, when transferred to the practice of family business, the results of this dissertation can add to the understanding of how leaders and members should enact their differing roles and what the underpinning specifics of social interaction in the family business context are as well as the opportunities and risks that can be associated with them.

2. Human resource practices and policies in family businesses have been highlighted as one of the issues that requires special attention (Astrachan & Pieper, 2010), driven by the questions of what human resource strategies work best in family business; under what conditions nepotism is good or bad; and how non-family members are to be treated. The findings in this dissertation highlight that non-family employees evaluate the quality of social leader-member exchange lower than family employees and, respectively, have lower degrees of psychological ownership of the organization. These perceptions are critically important for family businesses as they typically employ large proportions of non-family employees and these perceptions can in turn have an effect on key human resource issues, such as organizational commitment, organizational citizenship, job satisfaction and performance, financial performance via ownership, extra-role behavior, and affective commitment. The perceptions of non-family employees can be conditioned by the evaluation of the relative standing of the leader-member relationship they are engaged in. In other words, non-family employees may have a tendency to continuously compare their own relationships with the relationship between family members. That said, human resource practices at the leader-direct subordinate level should be developed separately for non-family employees and family members with respectively aligned goals for each group.

In terms of human resource management of family members, building and preserving trust among family leaders and other family members should be considered as one of the key goals and elements. While trust can become a central component in building family business social capital, the study in this dissertation reveals that trust in leader-subordinate relationships can be negatively affected by the higher quality of social exchange. Consequently, positive social exchange does not by default imply greater degrees of trust held by family members who act as subordinates. Thus, human resource programs should differentiate between building up the quality of social exchange and the accumulation and preserving of trust.

Lastly, as social and economic exchange can coexist in leader-subordinate relationships, human resource practices in family businesses can follow different strands. In cases, where the economic exchange is considered to be a priority (e.g., in certain positions and functions performed by employees), the practices can specifically target non-family employees. The positions and functions that call for engagement associated with greater degrees of social exchange can respectively target family members.

3. The fostering of family businesses in emerging economies along with strategies that family businesses could use to survive in volatile and uncertain environments confronting developing economies have been highlighted among key issues (Astrachan & Pieper, 2010). While human resource management and leadership issues are the components to be considered in the overall organizational strategy, the findings in this dissertation could equip family businesses practitioners with a greater understanding of family and human social capital and respective relationships and their embracement in a larger organizational strategy.

Family businesses due to the overlap of family and business systems present an interesting form of organization to study that is relevant to both developed and emerging economies worldwide. While the family business field has so far largely relied on borrowing from existing theories, extant findings suggest that not all of the existing organizational theories can be applied directly and require considerable adaptation, if not development of field-specific constructs, models, and theories, with leader-member exchange among them. Cooperation and synergy between family and business systems is among the prevailing concerns of both family business scholars and practitioners worldwide. Relationships are the core of family businesses, their underlying mechanisms, and their strategic competitiveness. Thus, addressing leadership from both family and business perspectives with a particular focus on the interplay between family and business roles, as well as evolving relationships and exchanges, can be critical in order to construct successful family business strategies.

## 5. CONCLUSIONS

Family businesses already are already the backbone of many economies worldwide. Thus, the success of their performance can play a significant role in the development of emerging economies. The embracing of characteristics that are unique to family businesses and the specific outcomes of family involvement in the business are among the key questions for family business researchers and practitioners. This dissertation provides a set of conclusions listed further:

1. The definition of a family business in the field still remains ambiguous with operational and theoretical or conceptual definitions at hand, while balance must remain between the operational and theoretical aspects of suitability (Chua et al., 1999). Two key approaches to family business conceptualization can be identified: the difference-based or “components of involvement” approach and the “essence” approach. The definitions following the difference-based or “components of involvement” approach are typically based on a dichotomy of family vs. non-family businesses and may include variables, such as family involvement in the business (Chittoor & Das, 2007; Davis, 2001), family values, family business characteristics, attitude towards family business, family members, and succession processes (Yu et al., 2012), “familiness” (Habbershon et al., 2003), continuity from one family generation to another in management and control (Chrisman, Chua, & Sharma, 2005), and influence of the family as a dominant coalition (Chrisman, Chua, & Sharma, 2005). The “essence” approach complements the “components of involvement” approach and enables the researcher to consider family businesses from a differentiated perspective (Chrisman et al., 2007). It accounts for family business heterogeneity, suggesting that family businesses are not homogeneous, but do differ among them with respect to interaction between family and business over a number of dimensions (Astrachan et al., 2002). With respect to the heterogeneous view, the family business can be defined as a business “governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition 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" (Chua et al., 1999, p. 25).

The family business context is built on the overlap of family and business systems and is a non-typical organizational setting that combines both entrepreneurial (the business) and non-entrepreneurial (the family) settings (Sirmon & Hitt, 2003; Tagiuri & Davis, 1996). The uniqueness of the family business as a type of organization is determined by the overlap of a system that is structured on rational economic principles and driven by emotions (Kets De Vries et al., 2007). The family business is also a specific context of enquiry due to the social context that embraces the significance of interpersonal relationships and social interaction. Family businesses largely depend on their social and family capital as a source of competitive advantage (Memili et al., 2015; Miller et al., 2007), while positive interpersonal relationships and social interactions are the foundation of the social capital and family social capital in a family business (Sorenson & Bierman, 2009; Danes et al., 2009; Memili et al., 2015; Miller et al., 2007; Pearson, Carr, & Shaw, 2008; Sharma, 2008). The quality of interpersonal relationships and social interactions can be one of the factors contributing to or pulling down organizational outcomes in a family business (Dyer & Dyer, 2009). Family businesses uniquely involve two types of social interactions and interpersonal relationships – family relationships and employer-employee relationships (which fall under the category of business relationships). As relationships in these companies can also be based on familial and non-familial ties, the context of these companies entails specifics. Understanding of family businesses calls for the study of the family, its individual members, and key non-family individuals (Brännback & Carsrud, 2012). Just as there is a coexistence between family and non-family relationships, family members employed in family businesses have dual roles and act simultaneously within both family and business systems due to the interaction of these social systems (Sirmon & Hitt, 2003). In the context of family firms, having a dual role of being a member of a family and a member of the firm can represent interesting differences that make family firms an important form of organization to study (Memili et al., 2015).

2. The leader-member relationship, likewise the leader-follower relationship, is a unique relationship that a leader develops with every follower (adapted from Liden, Sparrowe, & Wayne, 1997). Different types of leader-member relationships can be found in family businesses, depending on the roles enacted by the leader and the member as a family or non-family employee. Overall, there are four possible role-type configurations with two of them suggested to be reflective of the specifics of the family business context. Namely, (1) LMR1 role-type of relationships when the leader is a family member and the member (follower) is a non-family employee, and (2) LMR2 role-type of relationships, when both the leader and the member belong to the family that runs the business and are thus related by familial ties.

    Leader-member exchange is "(a) a system of components and their relationships (b) involving both members of a dyad (c) involving interdependent patterns of behavior and (d) sharing mutual outcome instrumentalities and (e) producing conceptions of environments, cause maps, and value" (Scandura, Graen, & Novak, 1986, p. 580). The exchange between leader and member can be conceptualized in multiple similar, yet distinct theoretical ways: the vertical dyad linkage and the social leader-member exchange. The vertical dyad linkage, which is commonly referred to as LMX, has become a default conceptualization of leader-member exchanges and is based on the degree of latitude that supervisors grant their subordinates in negotiating work roles (Dansereau, Graen, & Haga, 1975). It stems from LMX theory, which assumes that leader-member or supervisor-subordinate relationships fall along a continuum ranging from low-quality relationships to high-quality relationships (Graen & Scandura, 1987; Graen & Uhl-Bien, 1995; Liden, Sparrowe, & Wayne, 1997). Low-quality relationships rely on a transactional part, while high-quality relationships are based on respect, trust, obligation, mutual liking (Graen & Uhl-Bien, 1995). The second approach, social leader-member exchange, assumes that in social exchange relationships, social transactions may coexist with economic transactions (Cropanzano & Mitchell, 2005) and even high-quality LMX relationships can involve a transactional aspect (Uhl-Bien, Marion, & McKelvey, 2007). Thus, LMX relationships can be both viewed as social and economic (Coyle-Shapiro & Conway, 2004; Masterson, Lewis, Goldman, & Taylor, 2000; Shore, Tetrick, Lynch, & Barksdale, 2006; Wayne, Shore, & Liden, 1997; Wilson, Sin, & Conlon, 2010).

3. Greater degrees of leader-member exchange as a vertical dyad linkage (LMX) and social leader-member exchange (SLMX) are assumed to have a positive effect on psychological ownership of the organization held by the members. Firstly, psychological ownership to some extent is learned through socialization practices that are determined by culture as it is reflected in traditions, customs, and norms and shapes the individual's self-concept and values towards control, self-identity, self-expression, ownership, and property (Pierce, Kostova, & Dirks, 2002). Culture is assumed to have an impact on psychological ownership (Pierce et al., 2002), while a leader can trigger the culture by affecting the culture in family businesses (Dyer, 1986; Sorenson, 2000; Stavrou, Kleanthous, & Anastasiou, 2005). Secondly, psychosocial proximity between owners/managers and individual employees (Dirks, Cummings, & Pierce, 1996) that is present in family SMEs can foster the transmission of psychological ownership from the leader to the member (employee) through culture. Third, a relationship and interaction is a key condition for development of the feeling of ownership since individuals build feelings of ownership for the objects via a living relationship with those objects (James, 1890). It is assumed that the feelings of ownership can be built and shared via a living relationship and interactions with the family business leader. Thus, psychosocial proximity between owners/managers and individual employees (Dirks et al., 1996) and the quality of leader-member exchanges (LMX and SLMX) are assumed to have an effect on the degree of psychological ownership of the organization held by an individual employee. Economic leader-member exchange (ELMX) is likely to have the opposite effect as it involves transactional and contractual character, concrete obligations, repayment within a particular time period, or economic or quasi-economic goods (Blau, 1964; Kuvaas et al., 2012; Shore et al., 2006; Walumbwa et al., 2011) and thus is more likely to rest upon legal ownership rights and beneficial outcomes associated with them.

The quality of the leader-member exchange as a vertical dyad linkage (LMX) and the social leader-member exchange (SLMX) are assumed to be positively associated with trust. The economic leader-member exchange relies on the need to explicitly state the obligations, conditions of the exchanges, and expected rewards and, in a work relationship, a formal employment contract. High-quality social leader-member exchanges are associated with greater degrees of interpersonal trust that puts the leader-member relationship beyond the employment contract (Bauer & Green, 1996; Dienesch & Liden, 1986; Uhl-Bien et al., 2000). A high degree of economic leader-member exchange provides certainty to the parties, but leaves no room for trust and hence is assumed to be negatively associated with interpersonal trust in a leader-member relationship.

4. The quality of LMX and SLMX embodies a belief by an individual that a partner in a relationship will reciprocate (Walumbwa et al., 2011) and is therefore associated with a degree of trust. Based on existing research (Pierce et al., 2001; 2003; McIntyre et al., 2009; Sundaramurthy, 2008), it is assumed that trust plays a significant role in the development of psychological ownership. In sum, it is assumed, that the quality of leader-member exchanges has an effect on the psychological ownership of an organization held by the members and this relationship is mediated by interpersonal trust in the leader-member relationship.
5. Empirical analysis revealed a set of differences in leader-member exchanges that are evoked by family involvement in the business and more importantly, confirmed the relationship between the quality of leader-member exchange and member's psychological ownership, as well as the mediating role of interpersonal trust between the leader and the member in this relationship. The set of hypotheses was raised to empirically evaluate the interplay among the family business context, leader-member relationships, psychological ownership, and trust. In sum, the results of the regression-based simple mediation analysis supported the majority of the hypotheses, confirming (1) statistically significant differences, associated with role-types of leader-member relationships and (2) the conditional process of the effect of the quality of leader-member exchanges on the degree of psychological ownership of an organization held by members via the degree of trust in a leader-member relationship as a mediating variable. Two hypotheses were partially supported, while one hypothesis was rejected, unveiling a number of additional findings involving the fact that (1) there is a negative effect on the

quality of social leader-member exchanges (SLMX) on the level of trust in leader-member relationships associated with family members' perceptions; and that (2) the application of the leader-member exchange as a vertical dyadic linkage (LMX) or the social leader-member exchange (SLMX) perspectives can result in differing findings about the effects of the quality of leader-member exchanges.

6. The findings of the empirical study suggest that non-family employees may evaluate the quality of social leader-member exchanges lower by evaluating their relative standing or RLMX (Henderson et al., 2008; Liden & Antonakis, 2009) in contrast to leader-member exchanges in which both individuals are family members and extend the earlier arguments by Barnett and Kellermanns (2006); Lemons and Jones (2001); Mitchell et al. (2003). This may be a result of the differentiation by the leader between family and non-family employees and the member being in the out-group of the family (Mitchell et al., 2003). In extension of the arguments by Corbetta and Salvato (2004), proper development of human resource practices and policies in the family business context, with a specific focus on relationships between leaders and members, can positively affect the degree of psychological ownership by family members and non-family employees.

Interestingly, despite greater degrees of role conflict experienced by family members in contrast to non-family employees, family members reported a higher quality of leader-member exchanges than non-family employees. The positive association between the quality of LMX and members' role conflict suggests that either role conflict does not necessarily translate into lower levels of LMX quality or that the greater quality of LMX does not necessarily mitigate the role conflict experienced by the members.

The results of the regression-based simple mediation analysis confirmed that the quality of leader-member exchanges has (1) a direct effect on the degree of psychological ownership of the organization held by members and (2) an indirect effect via the mediating variable of trust in leader-member relationships. These findings reinforce the earlier observations that trust is an important aspect of leader-member exchanges (Schriesheim et al., 1999) and that trust is associated with positive exchange outcomes (Bernerth et al., 2007; Colquitt, Scott, & LePine, 2007; Dirks & Ferrin, 2002; Dulebohn et al., 2012;

Gomez & Rosen, 2001; Konovsky & Pugh, 1994; Organ, 1990; Rousseau et al., 1998; Wat & Shaffer, 2005). An additional set of findings was specifically determined with respect to different role-types of leader-member relationships in family businesses:

- Members in leader-member relationships (both family and non-family employees), who are engaged in LMX of higher quality are likely to experience higher degrees of trust exhibited by leaders and members in leader-member relationships which in turn translates into greater degree of psychological ownership of the organization that they have;
- Members who are non-family employees and are engaged in SLMX of a higher quality are likely to experience higher degrees of trust exhibited by leaders and members in leader-member relationships, which in turn translates into a greater degree of psychological ownership of the organization that they have;
- Family members who are engaged in SLMX of a higher quality are likely to experience lower degrees of trust exhibited by leaders and members in leader-member relationships which in turn translates into lower degrees of psychological ownership of the organization by members;
- Members in leader-member relationships (both family and non-family employees) who are engaged in ELMX of greater quality are likely to experience lower degrees of trust exhibited by leaders and members in leader-member relationships which in turn translates into lower degrees of psychological ownership of the organization by members.

In extension of earlier arguments by Bernerth et al. (2007) and Shore et al. (2006), the findings suggest, that the application of SLMX as a complementary measure of exchange quality in family business contexts with a clear diversification of relationships (familial and non-familial) was confirmed to unveil interesting differences that likely arise due to family members' (acting as followers in a relationship) perception of social exchange quality and trust in the leader. The relationship between the quality of social leader-member exchange and the degree of trust experienced by family members is a complex research question requiring further research attention, along with the question of how social exchanges and trust manifest in family business and what the meaning that family members enclose in the notion of trust is.

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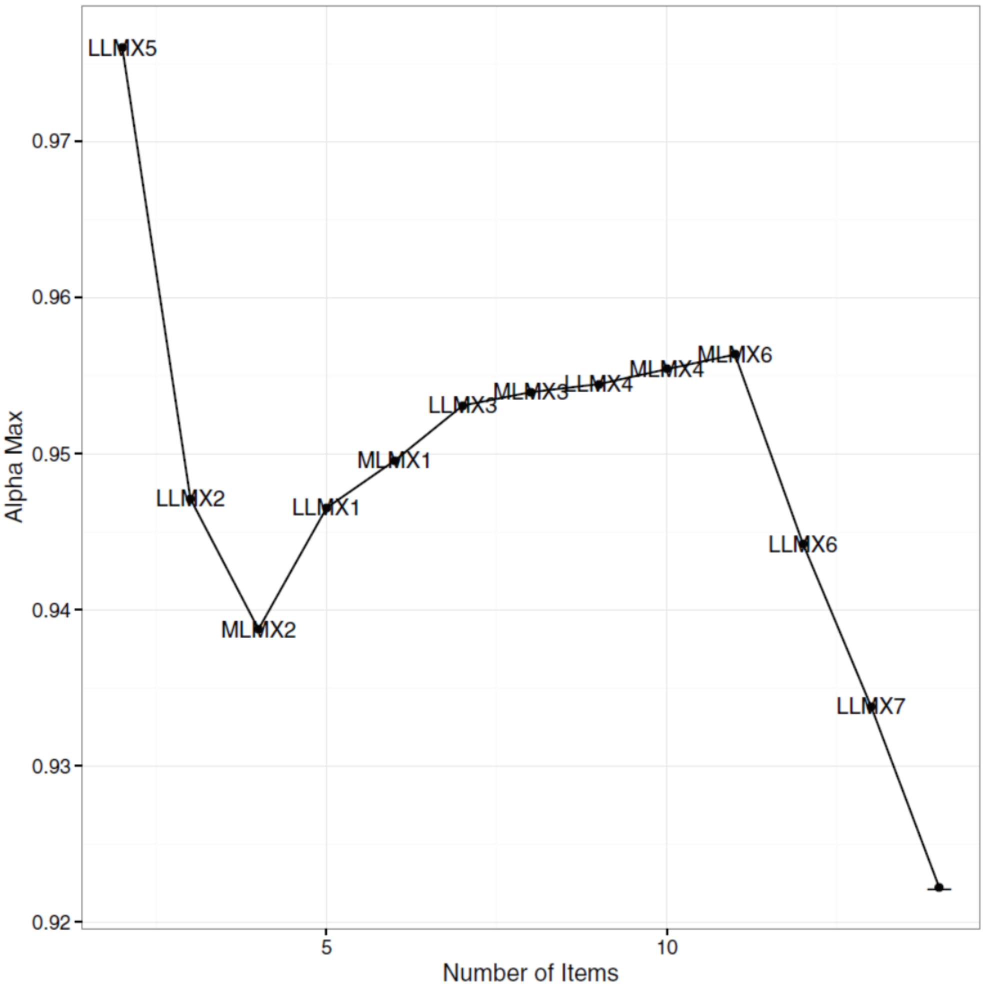
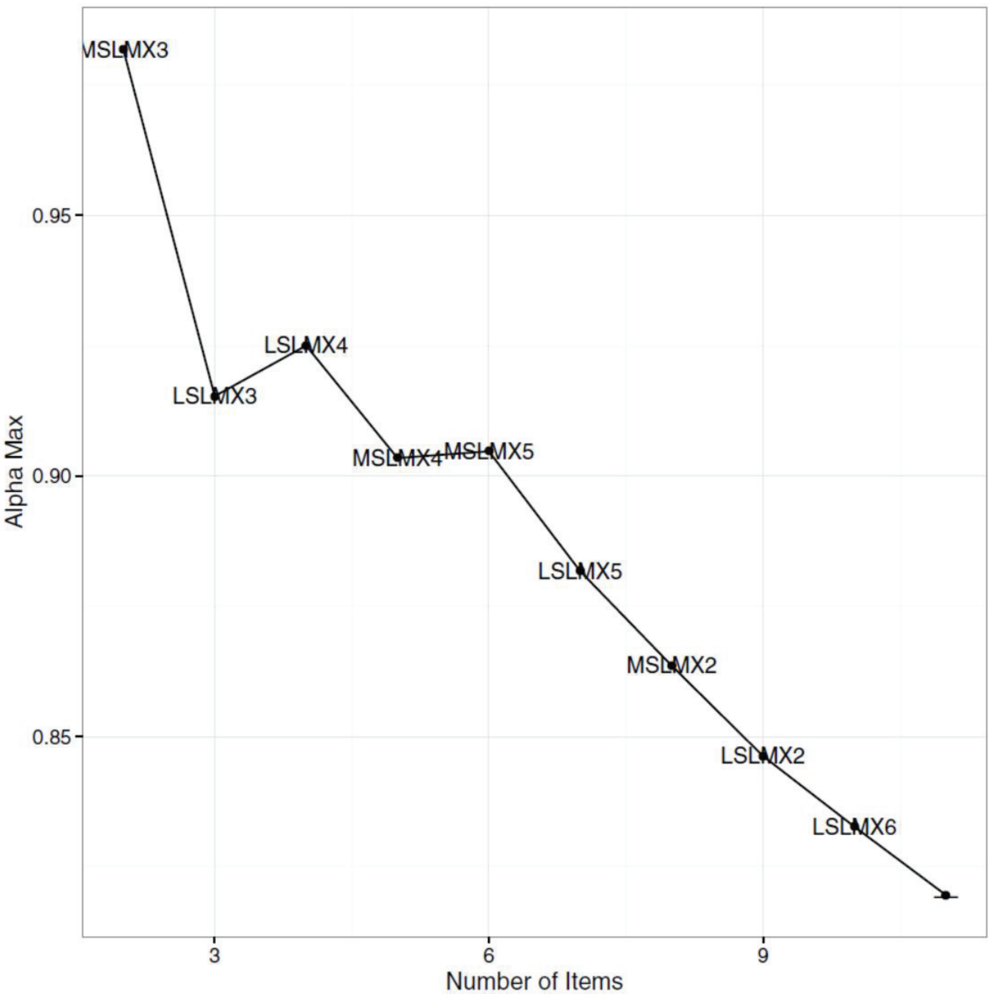
# ANNEXES

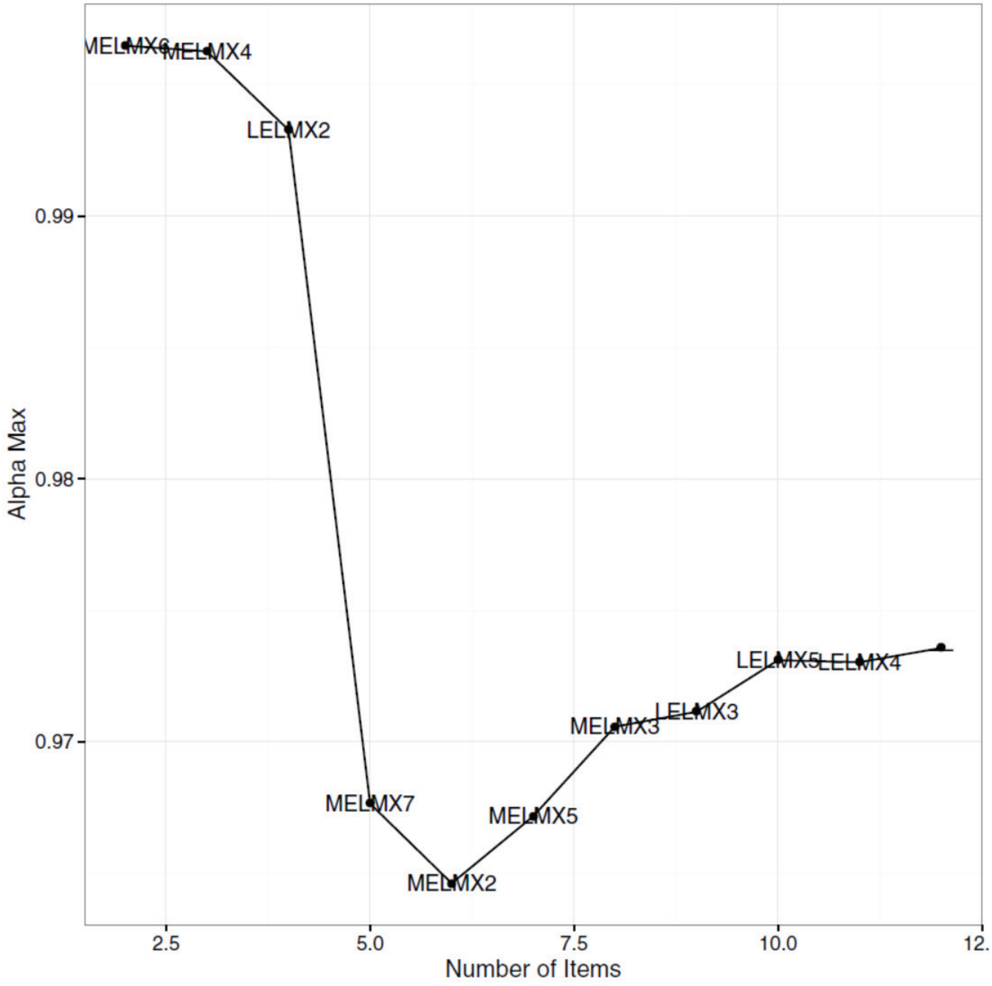
## Cronbach-Mesbah Curve for LMX measure



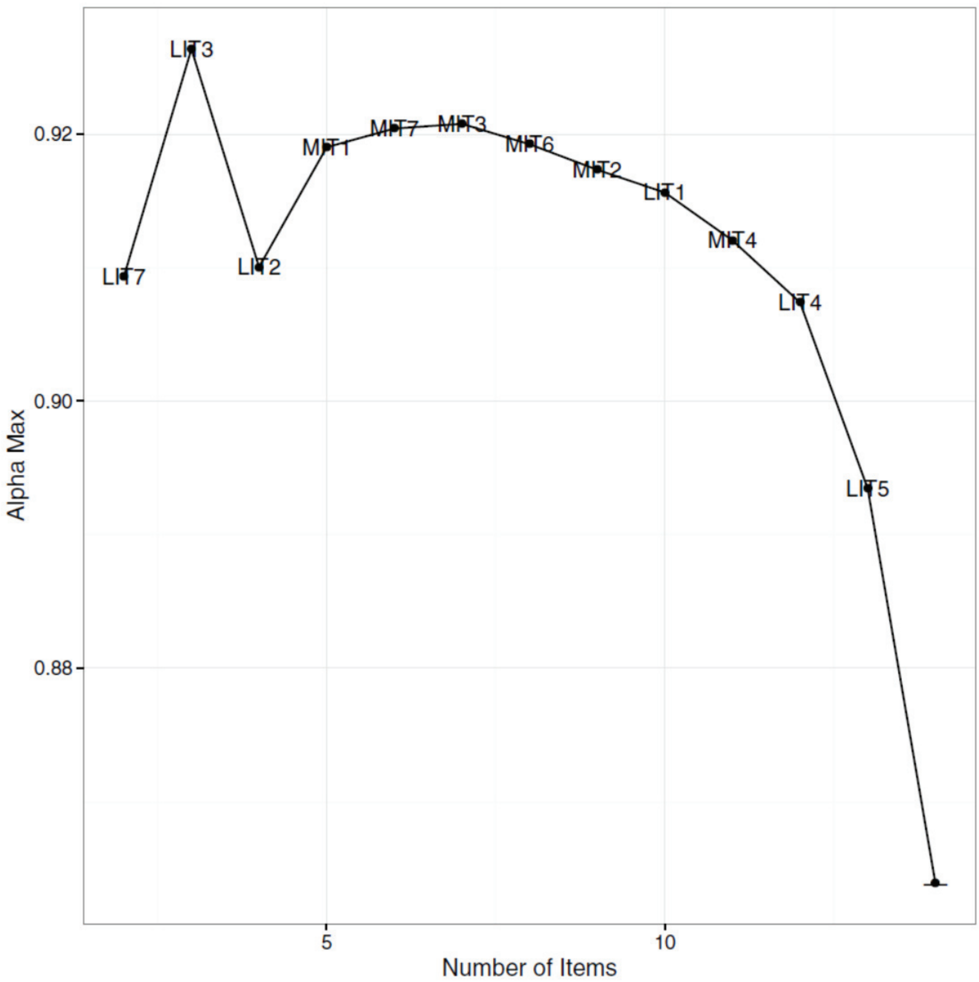
**Cronbach-Mesbah Curve for SLMX measure**



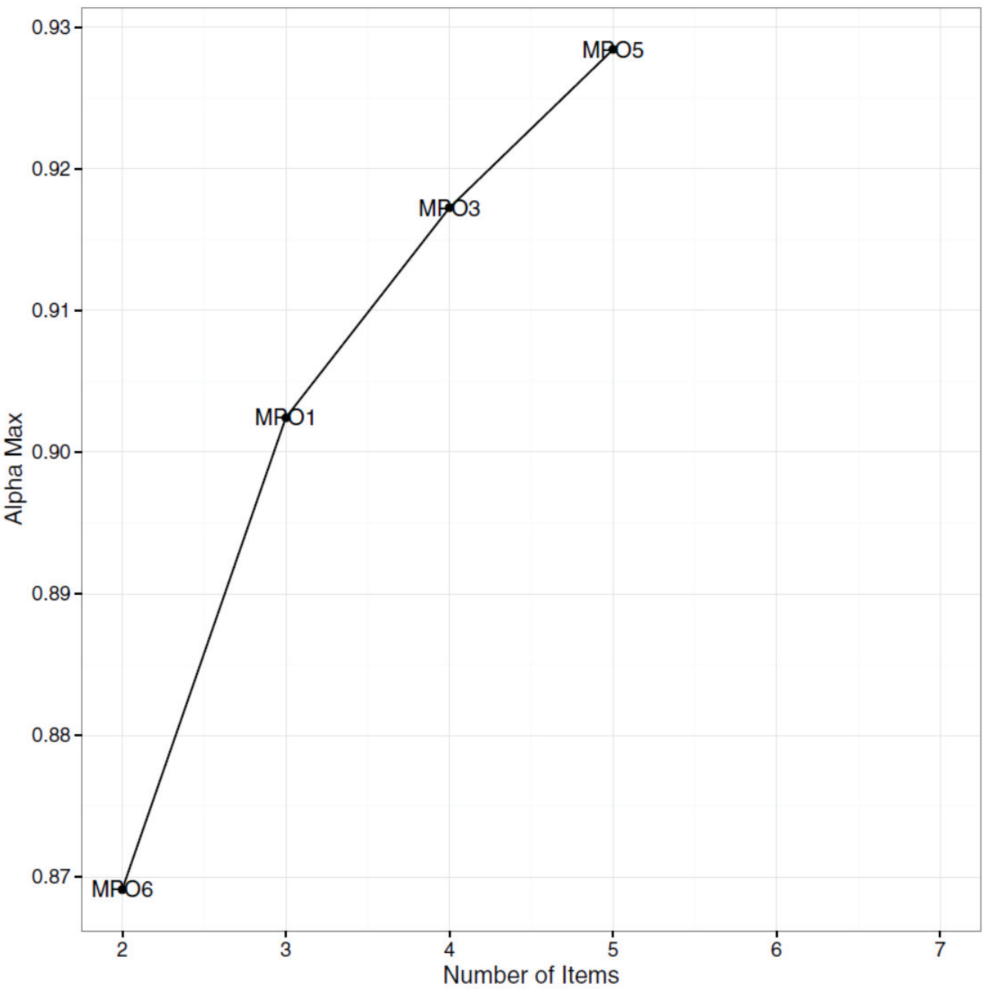
**Cronbach-Mesbah Curve for ELMX measure**



**Cronbach-Mesbah Curve for interpersonal trust measure**



**Cronbach-Mesbah Curve for MPO measure**



## Annex 2

| Variable | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | | df | Sig. |
| Quality of leader-member exchange, reported by leader | .182 | 288 | .000 | .881 | 288 | .000 |
| Quality of social leader-member exchange, reported by leader | .128 | 288 | .000 | .953 | 288 | .000 |
| Quality of economic leader-member exchange, reported by leader | .237 | 288 | .000 | .805 | 288 | .000 |
| Degree of leader's trust | .159 | 288 | .000 | .870 | 288 | .000 |
| Quality of leader-member exchange, reported by member (as a vertical dyad linkage) | .190 | 288 | .000 | .903 | 288 | .000 |
| Quality of social leader-member exchange, reported by member | .123 | 288 | .000 | .952 | 288 | .000 |
| Quality of economic leader-member exchange, reported by member | .216 | 288 | .000 | .887 | 288 | .000 |
| Degree of member's role conflict | .120 | 288 | .000 | .956 | 288 | .000 |
| Degree of member's psychological ownership | .222 | 288 | .000 | .821 | 288 | .000 |
| Degree of member's trust | .170 | 288 | .000 | .917 | 288 | .000 |
| Overall quality of leader-member exchange (as a vertical dyad linkage) | .184 | 288 | .000 | .882 | 288 | .000 |
| Overall quality of social leader-member exchange | .119 | 288 | .000 | .952 | 288 | .000 |
| Overall quality of economic leader-member exchange | .217 | 288 | .000 | .847 | 288 | .000 |
| Overall degree of trust in a relationship | .173 | 288 | .000 | .884 | 288 | .000 |
| **Results in non-family employees' group** | | | | | | |
| Quality of leader-member exchange, reported by member (as a vertical dyad linkage) | .098 | 160 | .001 | .979 | 160 | .014 |
| Quality of social leader-member exchange, reported by member | .099 | 160 | .001 | .980 | 160 | .023 |
| Quality of economic leader-member exchange, reported by member | .092 | 160 | .002 | .971 | 160 | .002 |
| Degree of member's role conflict | .114 | 160 | .000 | .944 | 160 | .000 |
| Degree of member's psychological ownership | .124 | 160 | .000 | .975 | 160 | .005 |
| Degree of member's trust | .127 | 160 | .000 | .957 | 160 | .000 |
| Overall degree of trust in a relationship | .140 | 160 | .000 | .797 | 160 | .000 |
| **Results in the family members' group** | | | | | | |
| Quality of leader-member exchange, reported by member (as a vertical dyad linkage) | .221 | 128 | .000 | .868 | 128 | .000 |
| Quality of social leader-member exchange, reported by member | .131 | 128 | .000 | .912 | 128 | .000 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Quality of economic leader-member exchange, reported by member | .281 | 128 | .000 | .821 | 128 | .000 |
| Degree of member's role conflict | .154 | 128 | .000 | .905 | 128 | .000 |
| Degree of member's psychological ownership | .238 | 128 | .000 | .846 | 128 | .000 |
| Degree of member's trust | .188 | 128 | .000 | .936 | 128 | .000 |
| Overall degree of trust in a relationship | .130 | 128 | .000 | .978 | 128 | .033 |

## Frequencies

### Categorical variables: leaders' sample

**What goals are more important to you?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Family | 90 | 31.25 | 31.25 | 31.25 |
| | Business | 198 | 68.75 | 68.75 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Do you yourself own some shares in the business?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Yes | 288 | 100.0 | 100.0 | 100.0 |

**What is the age of the company?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 5 years-10 years | 227 | 78.8 | 78.8 | 78.8 |
| | More than 10 years | 61 | 21.2 | 21.2 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**How long have you been working in this company?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 5 years-10 years | 224 | 77.8 | 77.8 | 77.8 |
| | More than 10 years | 64 | 22.2 | 22.2 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Your age is:**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 31-35 years | 62 | 21.53 | 21.53 | 21.53 |
| | 36-40 years | 115 | 39.93 | 39.93 | 61.46 |
| | 41-45 years | 85 | 29.51 | 29.51 | 90.97 |
| | 46-50 years | 26 | 9.03 | 9.03 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Your gender is:**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 261 | 90.6 | 90.6 | 90.6 |
| | Female | 27 | 9.4 | 9.4 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Tenure of leader-member relationship**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 6-12 months | 11 | 3.8 | 3.8 | 3.8 |
| | More than 1 year | 277 | 96.2 | 96.2 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Leader's relation to the member (non-familial ties (1) or familial ties (2))**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Non-familial ties with member | 160 | 55.6 | 55.6 | 55.6 |
| | Familial ties with member | 128 | 44.4 | 44.4 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Categorical variables: members' sample**

**Are you a member of the family, which runs the business?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | No | 160 | 55.6 | 55.6 | 55.6 |
| | Yes | 128 | 44.4 | 44.4 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Do you yourself own some shares in the business?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | No | 267 | 92.7 | 92.7 | 92.7 |
| | Yes | 21 | 7.3 | 7.3 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**How long have you been working in this company?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 6-12 months | 1 | .3 | .3 | .3 |
| | 1-5 years | 184 | 63.9 | 63.9 | 64.2 |
| | 6-10 years | 103 | 35.8 | 35.8 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Your age is:**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 21-25 years | 16 | 5.6 | 5.6 | 5.6 |
| | 26-30 years | 23 | 8.0 | 8.0 | 13.5 |
| | 31-35 years | 55 | 19.1 | 19.1 | 32.6 |
| | 36-40 years | 102 | 35.4 | 35.4 | 68.1 |
| | 41-45 years | 67 | 23.3 | 23.3 | 91.3 |
| | 46-50 years | 25 | 8.7 | 8.7 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

**Your gender is:**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 178 | 61.8 | 61.8 | 61.8 |
| | Female | 110 | 38.2 | 38.2 | 100.0 |
| | Total | 288 | 100.0 | 100.0 | |

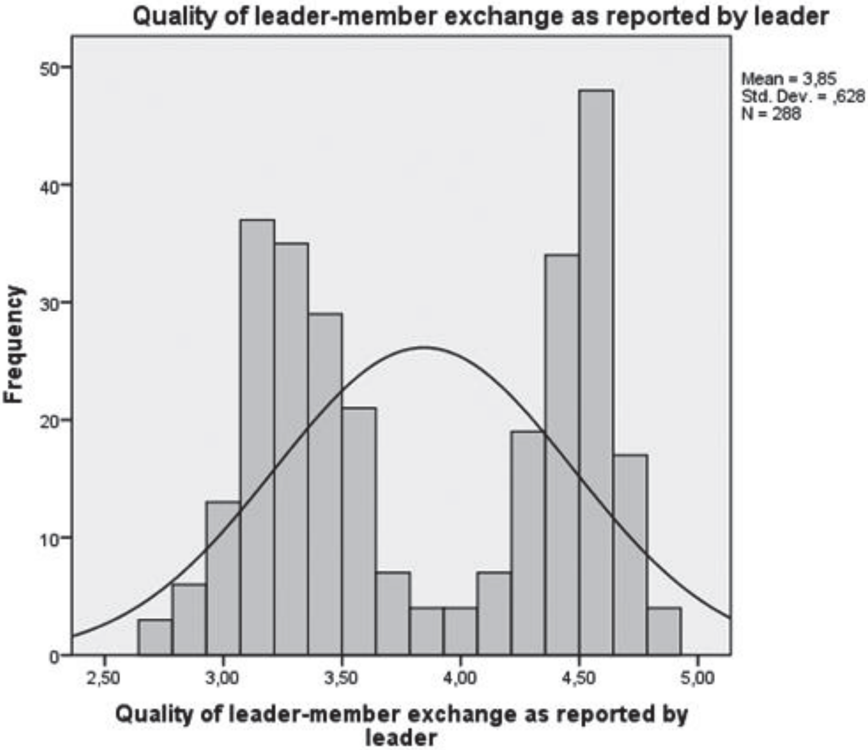
**Scale variables**

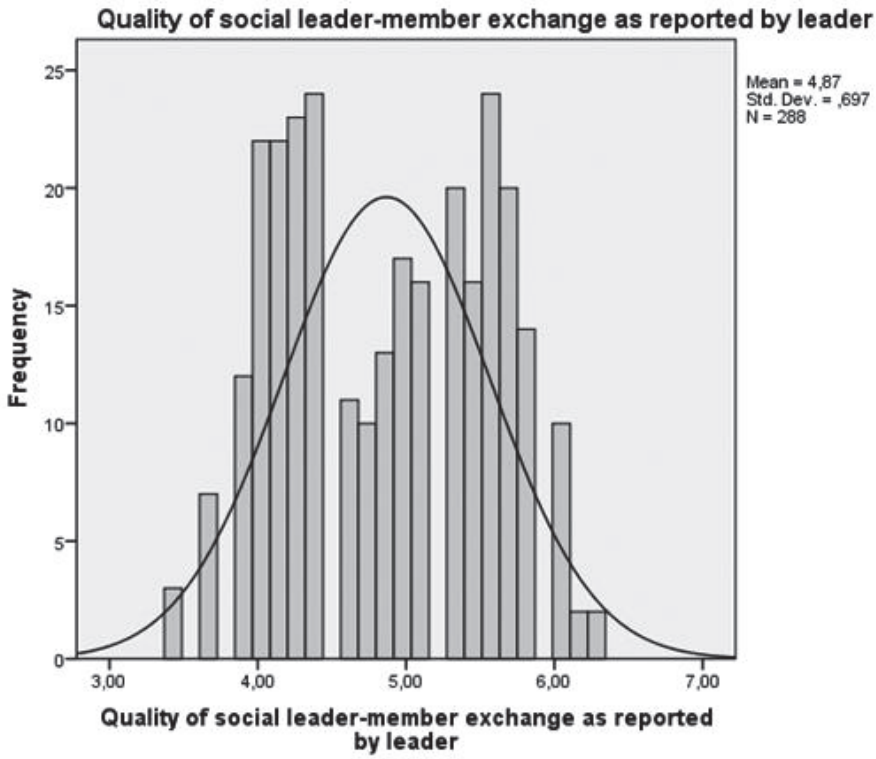
| | **Mean** | **Median** | **Mode** |
|---|---|---|---|
| Quality of leader-member exchange (as a vertical dyad linkage), reported by leader | 3.8452 | 3.6429 | 4.57 |
| Quality of social leader-member exchange, reported by leader | 4.8675 | 4.8571 | 4.43 [a] |
| Quality of economic leader-member exchange, reported by leader | 2.5625 | 3.2 | 1.2 |
| Degree of leader's trust | 3.746 | 3.5714 | 4.57 |
| Quality of leader-member exchange, (as a vertical dyad linkage), reported by member | 4.0188 | 3.8571 | 4.71 |
| Quality of social leader-member exchange, reported by member | 4.8267 | 4.8571 | 4.14 |
| Quality of economic leader-member exchange, reported by member | 2.5035 | 2.75 | 1.38 |

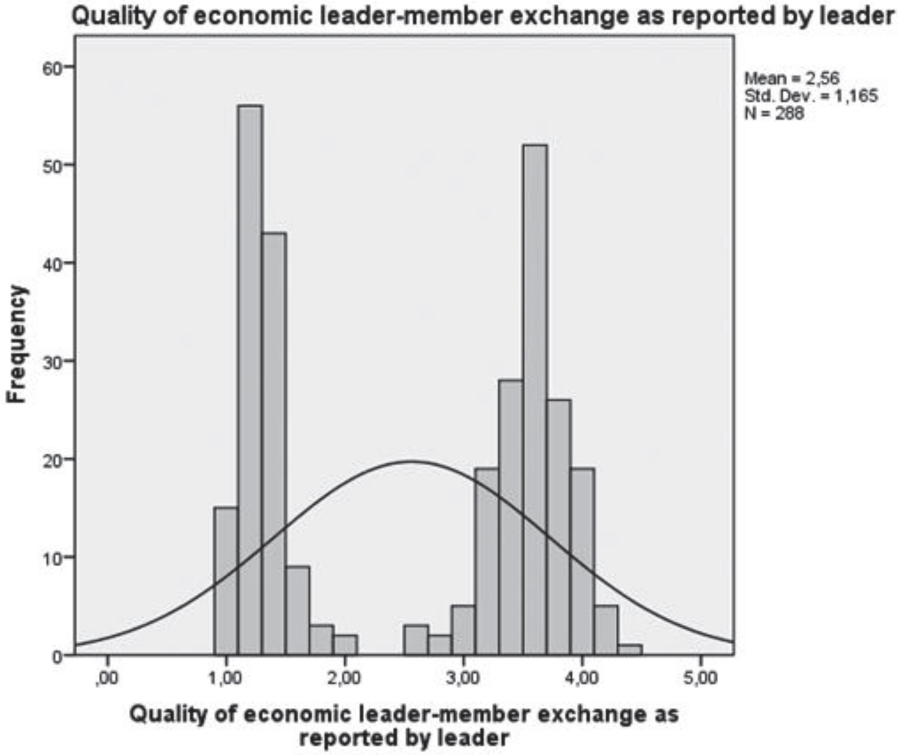
| | | | |
|---|---|---|---|
| Degree of member's role conflict | 3.3746 | 3.375 | 3.88 |
| Degree of member's psychological ownership | 3.8295 | 3.4286 | 4.86 |
| Degree of member's trust | 3.8123 | 3.7143 | 4.29 |
| Overall quality of leader-member exchange (as a vertical dyad linkage) | 3.932 | 3.7143 | 4.64 |
| Overall quality of social leader-member exchange | 4.8471 | 4.8571 | 5.29 |
| Overall quality of economic leader-member exchange | 2.533 | 2.975 | 1.29 |
| Overall degree of trust in a relationship | 3.7792 | 3.5714 | 4.43 |

a. Multiple modes exist. The smallest value is shown

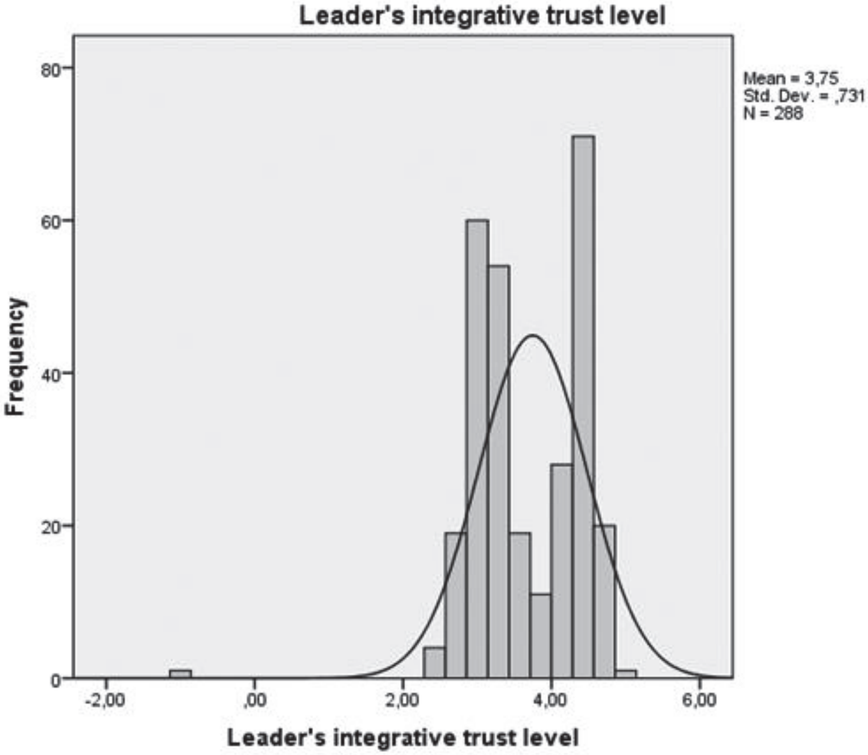
## Histograms


Quality of leader-member exchange as reported by leader
Mean = 3,85
Std. Dev. = ,628
N = 288
Frequency
0
10
20
30
40
50
2,50
3,00
3,50
4,00
4,50
5,00
Quality of leader-member exchange as reported by leader


Quality of social leader-member exchange as reported by leader
Mean = 4,87
Std. Dev. = ,697
N = 288
Frequency
25
20
15
10
5
0
3,00
4,00
5,00
6,00
7,00
Quality of social leader-member exchange as reported by leader

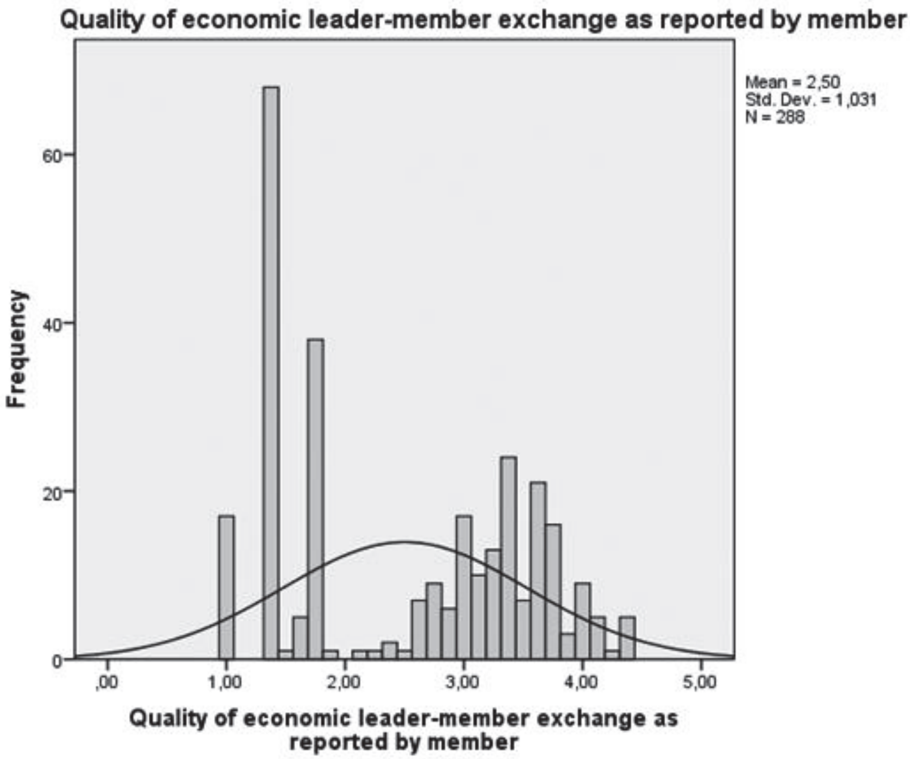

Quality of economic leader-member exchange as reported by leader
Mean = 2,56
Std. Dev. = 1,165
N = 288
Frequency
60
50
40
30
20
10
0
,00
1,00
2,00
3,00
4,00
5,00
Quality of economic leader-member exchange as reported by leader

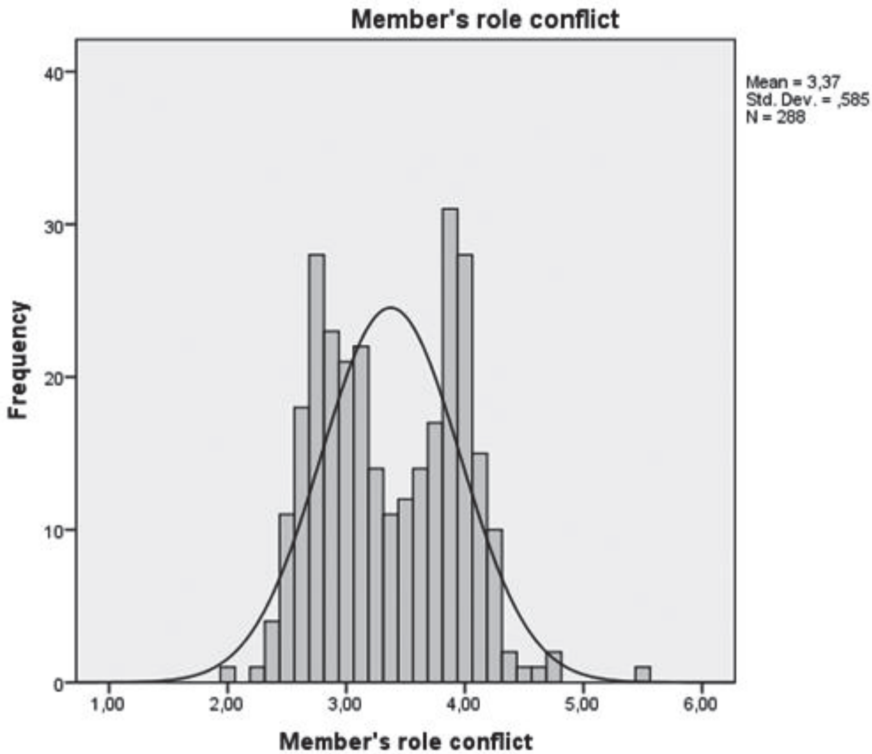

Quality of leader-member exchange as reported by member (as a vertical dyadic linkage)
Mean = 4,02
Std. Dev. = ,672
N = 288
Frequency
50
40
30
20
10
0
2,00
3,00
4,00
5,00
Quality of leader-member exchange as reported by member (as a vertical dyadic linkage)

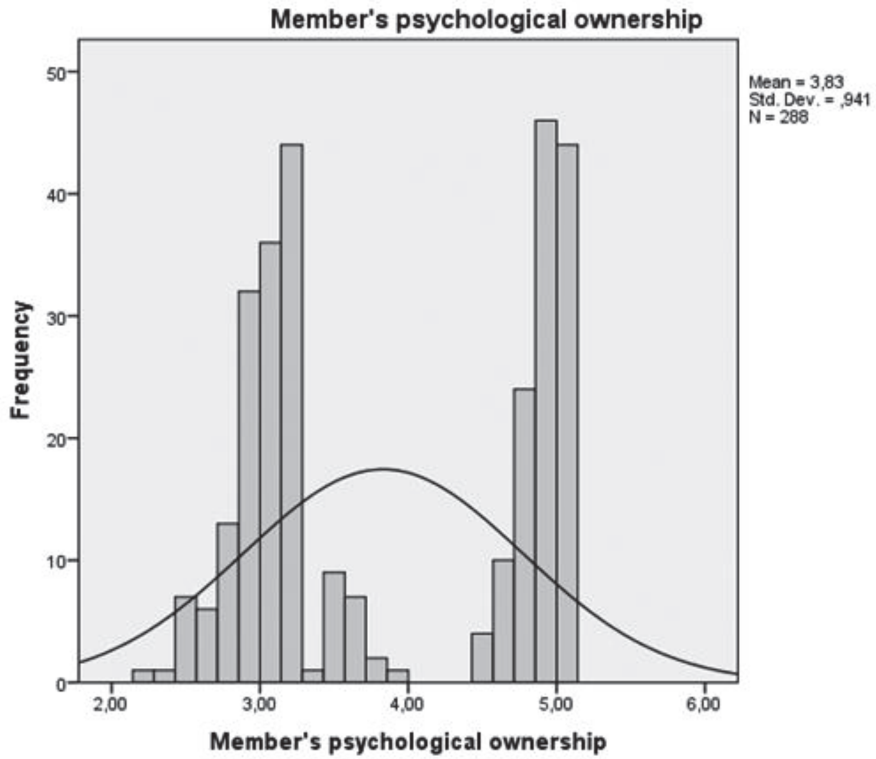


Leader's integrative trust level
Mean = 3,75
Std. Dev. = ,731
N = 288
Frequency
80
60
40
20
0
-2,00
,00
2,00
4,00
6,00
Leader's integrative trust level

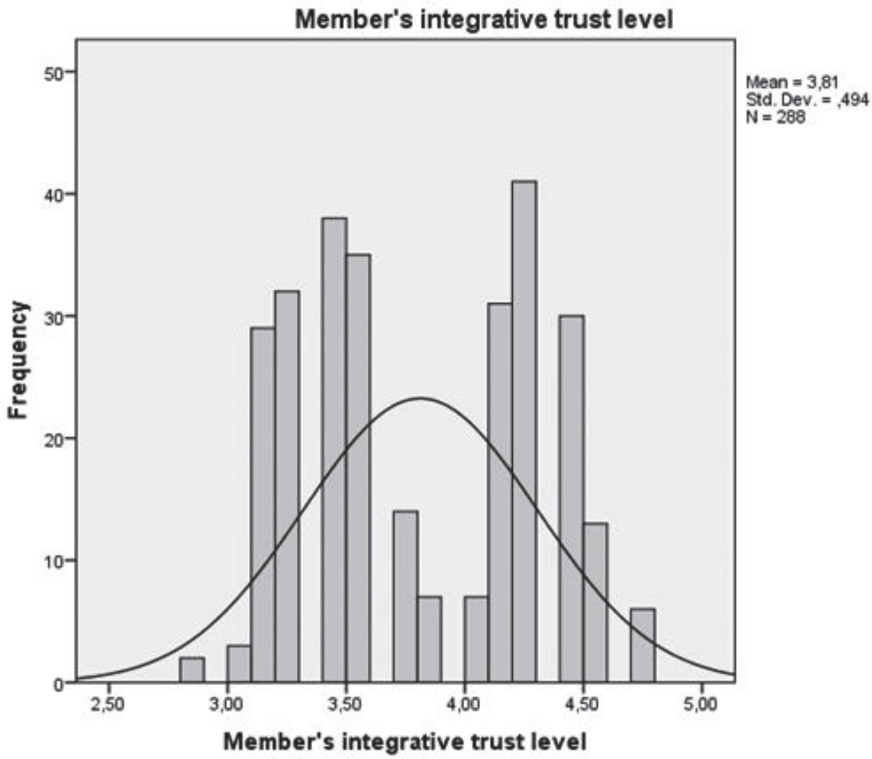
Quality of social leader-member exchange as reported by member
Mean = 4,83
Std. Dev. = ,709
N = 288
Frequency
0
10
20
30
40
3,00
4,00
5,00
6,00
7,00
Quality of social leader-member exchange as reported by member

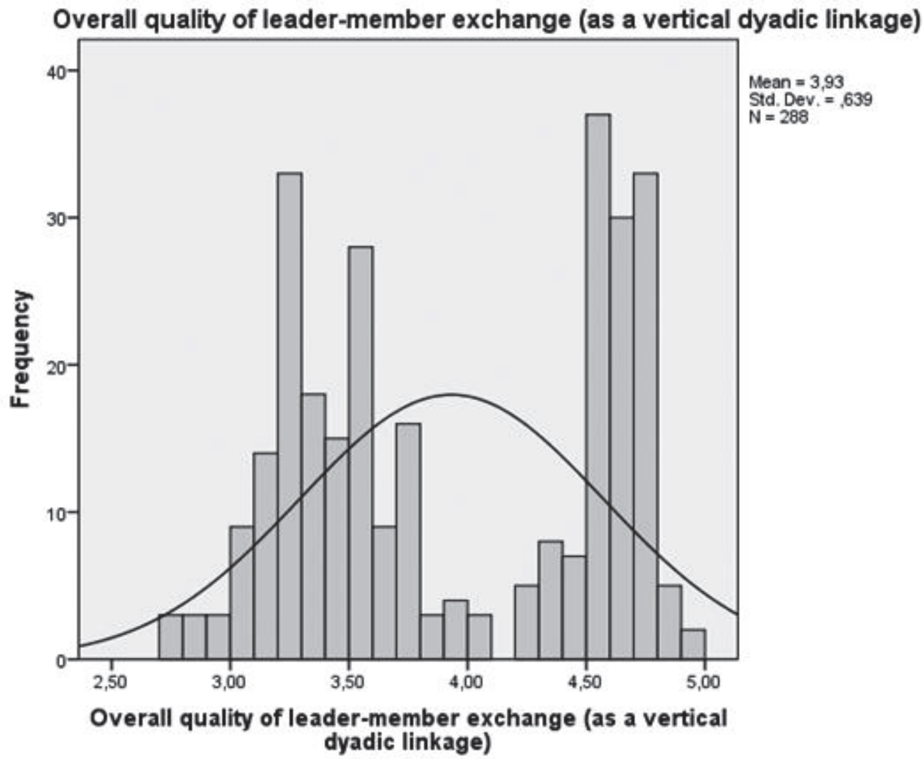

Quality of economic leader-member exchange as reported by member
Mean = 2,50
Std. Dev. = 1,031
N = 288
Frequency
0
20
40
60
,00
1,00
2,00
3,00
4,00
5,00
Quality of economic leader-member exchange as reported by member


Member's role conflict
Mean = 3,37
Std. Dev. = ,585
N = 288
Frequency
0
10
20
30
40
1,00
2,00
3,00
4,00
5,00
6,00
Member's role conflict

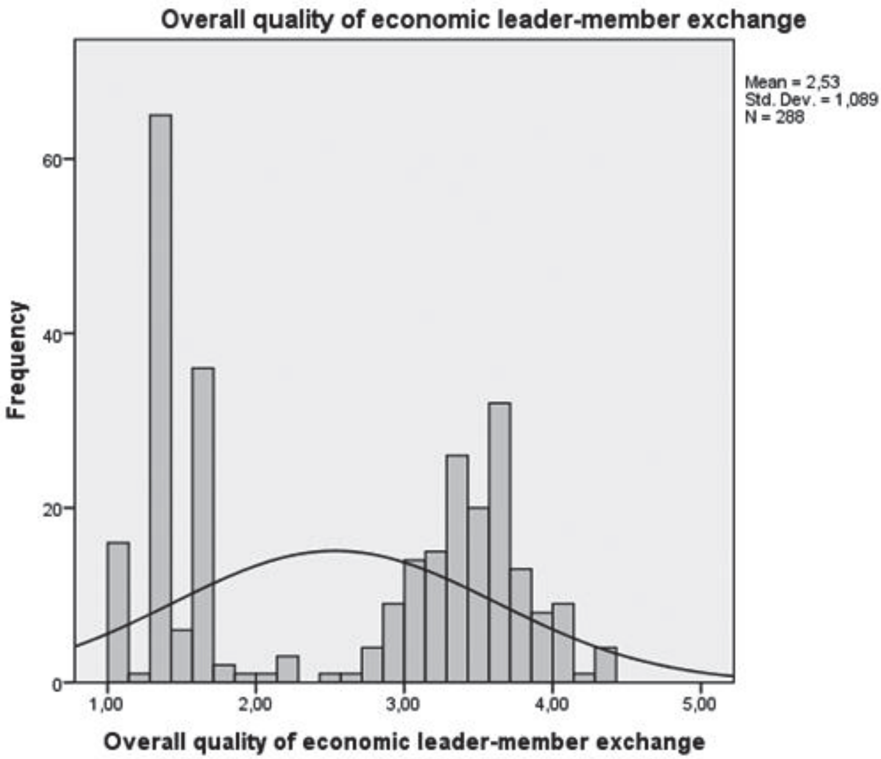


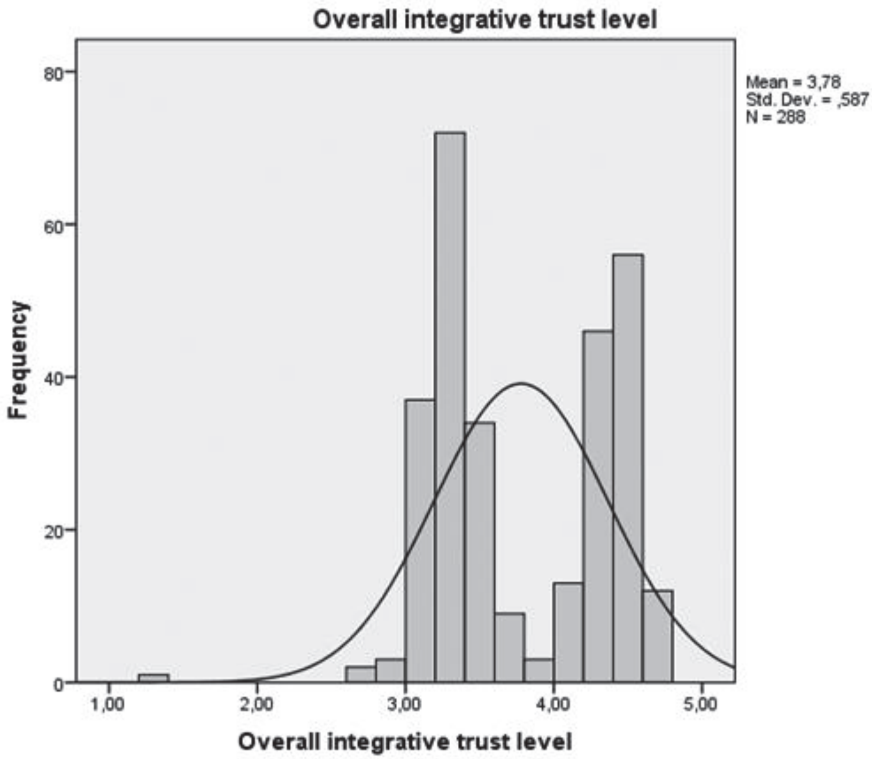
Member's psychological ownership
Mean = 3,83
Std. Dev. = ,941
N = 288
Frequency
50
40
30
20
10
0
2,00
3,00
4,00
5,00
6,00
Member's psychological ownership


Member's integrative trust level
Mean = 3,81
Std. Dev. = ,494
N = 288
Frequency
50
40
30
20
10
0
2,50
3,00
3,50
4,00
4,50
5,00
Member's integrative trust level


Overall quality of leader-member exchange (as a vertical dyadic linkage)
Mean = 3,93
Std. Dev. = ,639
N = 288
Frequency
0
10
20
30
40
2,50
3,00
3,50
4,00
4,50
5,00
Overall quality of leader-member exchange (as a vertical dyadic linkage)


Overall quality of social leader-member exchange
Mean = 4,85
Std. Dev. = ,699
N = 288
Frequency
30
20
10
0
3,00
4,00
5,00
6,00
7,00
Overall quality of social leader-member exchange


Overall quality of economic leader-member exchange
Mean = 2,53
Std. Dev. = 1,089
N = 288
Frequency
0
20
40
60
1,00
2,00
3,00
4,00
5,00
Overall quality of economic leader-member exchange


Overall integrative trust level
Mean = 3,78
Std. Dev. = ,587
N = 288
Frequency
80
60
40
20
0
1,00
2,00
3,00
4,00
5,00
Overall integrative trust level

Olga Štangej

**Leader-Member Relationships in the Family Business Context**
Daktaro disertacija

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