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## Leadership Practices and its Effects on the Lebanese Family Business Performance by Second Generation Leaders

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**Key words:** Leadership, family business, business performance, second generation, Leadership Practices Inventory (LPI)

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Page No.: 56-71

Volume: 15, Issue 2, 2021

ISSN: 1993-5250

International Business Management

Copy Right: Medwell Publications

**Abstract:** The principal aim of this study is to identify the perception of family business leaders of leadership practices in Lebanese family business and analyze the impact of the leadership practices constructs on family business performance among second generation leaders in the selected Lebanese family businesses context. Especially, it is hypothesized that the individual leadership practices has a positive effect on the family business performance for the second generation leaders. A questionnaire was distributed in person and in online by Google-Forms for data collection to around 300 family business leaders, out of which 267 completed questionnaires were obtained. Finally, 108 complete questionnaires were used in data analysis for second generation leaders. Structural equation modeling SEM was used to test the family business leader's overall perception of leadership practices to achieve higher business performance. The analysis of data results obtained displayed that only the leadership practices model the way, challenge the process and Encourage the heart have a positive effect on family business performance of the second generation family business leaders. Results supported explain family business leader's views regarding leadership practices.

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## INTRODUCTION

Family businesses are old-fashioned styles of doing business. The labor force of the ancient kingdoms was family<sup>[1]</sup>. And with the scarcity of historians to the contribution of these companies to the prosperity of society. But we find that history has saved us a document proving that the first lending for interest has emerged four thousand years ago. Since then, family businesses have

become the backbone of the world's most powerful economic system<sup>[2]</sup>. Not only that but family companies were the mechanisms of renewal in those systems<sup>[3]</sup>. They were offering products and services to the consumer<sup>[3]</sup>.

Family businesses flourished in all the countries of the ancient world, among the Arabs, the Babylonians, the Egyptians, the Jews, the Greeks, the Phoenicians, Romans and Indians<sup>[4]</sup>. Small family businesses spread civilization

all over the world; during their commercial travels they carried Babylonian astronomy, Greek philosophy, Jewish calendar and Roman law<sup>[4, 5]</sup>. These companies had a set of industrial and commercial laws and rules governing product quality. The growing number of family businesses in the 20th century has played a major role in the early stages of industrialization throughout the world. Industry and trade historians see small family businesses as preserving the old. The development of capital has made a difference in the development of family businesses<sup>[6-8]</sup>.

In the Arabian Gulf, most family businesses have lived for forty-five years; they are newly established companies<sup>[9]</sup>.

As for the simplicity of establishing a family business, these companies will not disappear or stop establishing new ones in different parts of the world<sup>[10]</sup>. Whatever the challenges posed by economic transformations in the world, these kinds of companies stay with people who are able to achieve commercial and economic success attributed to them and move to their children or grandchildren to inherit<sup>[11-13]</sup>.

The current global economy is based on family businesses, accounting for 69% of those companies to Britain's economy and 81% of Italy's economy and 90% of Lebanon's economy<sup>[10, 14]</sup>. Family business founded by the idea and grow slowly and sometimes become a multinational company<sup>[11, 15]</sup>.

In Lebanon these companies have withstood and passthrough generations despite the wars, the conflicts and various economic crises. Lebanese family businesses were established in a society where the factors of change are rapid<sup>[14]</sup>. Family businesses in Lebanon are an important pillar of the Lebanese economy<sup>[14]</sup>. They represent 90% of the productive sectors and employ workers from different social groups<sup>[12, 13]</sup>.

Family businesses have an important factor in the Lebanese economy business<sup>[16]</sup>. Where it goes beyond just profit maximization and income, to be interested in family values and traditions<sup>[17]</sup>; for forming a small project that will develop and nourish between generations and to be large entrepreneurship and perform an ideal story of success<sup>[18]</sup>.

SMEs in Lebanon are 98% of the economic sector; it is led by the private firms<sup>[19]</sup>. According to Fahed-Sreih *et al.*<sup>[20]</sup>, private sectors composed of 85% of family firms. This research represents small country in the Middle East which is Lebanon. Moreover, this country is characterized by its traditions, cultures and diversities. In choosing the successor we must take into consideration the gender in family business decision-making. It is true that women have joined the work force to compete men but it is still dominated the choice of family business leader<sup>[21]</sup>.

The instability of the economy in Lebanon leads to having a negative impact on the private sector and the

family firms, makes the family business face challenges, in selecting the successor because most of them has traveled abroad and these successors has chosen a new career in a foreign country<sup>[22]</sup>. That's why some siblings may stay out of business and search for outside employment. Little information is collected about the interest of family business members in social activities<sup>[23]</sup>.

According to Observatory of European SMEs<sup>[24]</sup>, reveals that SMEs represent 98% of the businesses in the economy. Moreover, SMEs are responsible to serve their clients and satisfy their needs in the community they operate in to behave socially responsible manner<sup>[25-27]</sup>.

In this context, the aim of this paper is to investigate the correlation between the 5 leadership practices of Kouzes and Posner<sup>[28]</sup> and the business performance of family firms of the second generation leaders in the Lebanon.

Using its Kouzes and Posner path the following hypothesises will be derived: Model the way ( $H_{01}$ ), Inspire a shared vision ( $H_{02}$ ), Challenge the process ( $H_{03}$ ), Enable others to act ( $H_{04}$ ) and encourage the heart ( $H_{05}$ ) that have significantly impacted family business performance of the second generation of the Lebanese firms.

## Literature review

**Short history of leadership:** Through reading, we revised the characteristics or traits of how leaders should be. Many leadership styles have been used by leadership theories in this concern.

The most important writings of leadership traits are of Carlyle<sup>[29]</sup>, Carlyle mentioned individual traits like their talents, skills and some physical characteristics which differentiate Leader from individual.

According to Galton<sup>[30]</sup> who talks about the leadership qualities, in which he reaches a conclusion, that it is inheriting power especially when moving of the power from one generation to another inside family business. A hundred of studies show a number of characteristics that differentiate the leader from the non-leader. These characteristics can be summarized by: intelligence, dominance, adaptability, persistence, integrity, socioeconomic status and self-confidence<sup>[31-34]</sup>.

At the end of 1940s and starting of 1950s new theories has appeared and developed. Bird<sup>[35]</sup>, Stogdill<sup>[36]</sup> and Mann<sup>[37]</sup> reveals different forces that help leadership. They found that common traits between many studies are noticed and certain situation could determine the leader from the non-leader as individuals is effective in certain situations but not others.

Several investigations have been conducted by Seligman and Csikszentmihalyi<sup>[38]</sup> like positive subjective experience such as well-being and satisfaction with the past, stream and happiness within the present and hope and optimism into the longer); to the micro, personal level

(i.e., positive characteristics such as the capacity for love, courageness, tasteful sensibility, diligence, forgiveness and compassion, spirituality, high ability, genius and intelligence) and the institutional and macro level such as responsibility, benevolence and kindness, courtesy and respect, control and temperance, tolerance and resilience and a solid work ethic<sup>[39]</sup>.

**Trait theory and the leadership attributes and styles:**

The audience heard again about the trait theory of leadership. Zaccaro<sup>[40]</sup> came to result that trait theories still rely on certain individual traits and attributes like motives, values, social skills, expertise and solving problems. It fails to consider the importance of grouping all attributes together. They don't considerable the necessity of the stable leader attributes to be a good leader.

After Zaccaro notes researchers try to study the difference between the leaders and the individual attributes.

Lewin *et al.*<sup>[41]</sup> also talked about the influence of leadership styles and its performance. Theorists concluded that leadership is a set of behaviors and leadership styles. As stated by Blake and Mouston<sup>[42]</sup> who mention 5 different leadership styles, based on their focus on leader's behaviors and caring and goals. Three of these leadership styles are:

**Autocratic style:** This style is utilized when pioneers tell their workers what they need and how they need it finished, without getting their help.

**Democratic style:** This style includes the pioneer, the workers who participate in the decision making.

**Free reign style:** In this style, the pioneer allows the workers to decide the choices. However, the pioneer is still capable for the choices that are made.

Karani<sup>[43]</sup> has talked about the concept of taxonomy in describing leadership situations where leadership styles and situational variables are connected and which is preferable according to the situation.

House<sup>[44]</sup> confirming to the path-goal theory of leadership and by developing it depending on Victor Vroom theory as it emphasizes the effective of the leadership practice in the circumstances, he works in.

**Transactional and transformational leadership:**

Burns<sup>[45]</sup> talks about the transactional leader who expect performance from his team management and his manager who leads a group of people who agree to follow him to achieve certain goals. This transactional leader has a power to evaluate, assess and expect the productivity level of the organization.

Burns also enhances the transformational leader in his views about the transformational leadership when he tries

to transform his vision into reality through motivating his team towards the organizational and company's goals.

According to Bryant<sup>[46]</sup> transactional leadership style may be more effective at this level. Motivating individual interactions with employees is less critical than creating knowledge systems that routines activities, guidelines and procedures<sup>[47]</sup>. Knowledge systems make ideas and thoughts, knowledge and arrangement created by others within the organization accessible to everybody within the organizations<sup>[46]</sup>. In addition, to that Bryant added knowledge can then be used into new products, new client arrangements and improved practices. Organizations that are able to effectively make inferred knowledge express through their systems and exploit these ideas will create competitive advantages<sup>[48, 49]</sup>. Transformational leaders inspire, motivate and give a vision and intelligently excite their followers. Nevertheless, they likely to be weaker on frameworks and systems, structures and execution. Transformational leaders require employees that can support their weaknesses<sup>[46, 32, 33]</sup>.

History shows that leadership has been a vital issue since the original times of humankind and which attracts scientists for over 100 years<sup>[50]</sup>.

Innovativeness is generally known to be the ability to think or do in a unique<sup>[51]</sup>, in addition to that, this uniqueness is considered in the leadership process to be very efficient towards followers<sup>[50]</sup>. In other words, a leader may motivate their followers towards the goals as well as to apply the best approach to achieve these goals; in this way leadership is accepted to be well related to creativeness which in turn, identifies that innovativeness ought to be one of the highlights of leadership<sup>[50]</sup>. Transformational leadership, ought to be a process to promote creativity to empower the change and transformation at the organizational level and is required for this innovativeness. Being transformational, a leader is need to empower followers' innovativeness<sup>[52]</sup>, utilize own innovative skills for team and organizational success<sup>[53]</sup> and promote follower's commitment through utilizing of social and innovative skills.

**Challenges that face the family business growth and don't survive among generations:** Family owned business characterized by their responsibilities, cultures and traditions, good relationships with employees<sup>[54]</sup>.

One more problem is that family business leaders own just one business and they just take care of it and don't think on new growth possibilities<sup>[55]</sup>. After the maturity of business and no changes and development occurred, this led to a declining and downward cycle. Less leadership practice due to less energy and few resources.

Research reveals that US family firms has many family members and the owners of this family business try to pass the ownership and leadership to one or two or

more of their siblings<sup>[56]</sup>. Most of the partnership inside family business ended in a split-up because of conflicts that exist in ownership structure<sup>[57]</sup>. Partnership between sibling's success if they invest in this relationship and sharing thoughts, understand each other. For these siblings the family interaction is more important than the business itself and this will give them the strength to overcome business crisis and risks<sup>[57]</sup>.

Sharing thoughts and decisions in family business reflects a health family and a healthy relationship<sup>[58]</sup>. With health family relationship and mature sibling's conflicts will decrease and they will together work on a business growth.

Most family business owner, think that the way of success is one of the stagnations. Choosing a one successor leader is the most important action the family business does rather than business held by more than one family member which will increase the chances of growth and to pass through generations. Moreover, most family business leader successor avoids such challenges<sup>[59]</sup>. With each other new leadership generation, new ideas are generated, new strategic plans are known<sup>[60]</sup>.

Breakup of a family is a disturbance that regularly challenges families and their firms: studies recommend that separate inside family and conflicts leads to less investment in another generation especially by the founder and it harms family business performance<sup>[61]</sup>.

More than the third of companies surveyed by Anonymous<sup>[62]</sup>, mention that the internal challenges in the family business focus on the significance of the succession and business transfer from one generation to another. The other internal challenges are the continuous innovation; hiring and keeping qualified workers and implementing new ideas and technologies and company succession planning<sup>[63-66]</sup>.

**Interactions and collaboration between generations is a necessity for evolution:** Day after day and with different circumstances, management and leadership changes and decisions are influenced by experience and age and this is evidenced by the shifts and transformations experienced by the family company through the multiplicity of roles played by the decision makers<sup>[12, 13]</sup>. The company often runs two or three generations as a result of generations succession, making it is an environment where family members come together through own methods, that may be congruent or sometimes contradictory<sup>[12, 13]</sup>. The rule of (repetition makes success) is no longer correct, because society is constantly changing, so decision makers should realize that inter-generational interactions is a fact and an imperative necessity for the company's evolution<sup>[12, 13]</sup>. As stated by Georgescu<sup>[67]</sup>, the repeated interactions between the family members lead to the creation of the organizational culture by putting together the faiths and the values of the people which make it up.

The main problem that family businesses may face lies in their continuity and the transition of leadership from one generation to another. It is a joint work between individuals who are related to one another and are united by strategic goals. The first is the continuity and prosperity of the company. Today, modern societies are thinking about the system of corporate governance. To the effectiveness of this trend as it maintains the continuity of the family company with minimal differences<sup>[12, 13]</sup>.

According to Barach and Ganitsky<sup>[68]</sup> have confirmed the succession of the transfer of family business from one generation to another with avoiding the conflicts that could occur among the family members.

**Leadership and family business continuity:** Leadership is defined as a process, form of discipline and organization of social work that combines contradictory: society and family<sup>[69, 70]</sup>.

Family businesses may have some conflict issues such as ownership, profit ratios, hiring a family member and other matters that make Leadership urgent, even if the company is behaving like an institution and still in the first and second generation<sup>[71, 70, 69, 12, 13]</sup>.

Leadership comes as a result of the transformations and changes undergone by the family company because this transformation leads to the partnership of the sons or brotherhood partnership. Since, the real actors are the source of authority and decision and realize that the partnership between relatives should continue, they must move towards goals and systems that keep pace with development and draw a regulatory framework that keeps the family and society from collapse and disintegration<sup>[70, 69]</sup>.

Ayranci<sup>[72]</sup> expressed that when providing fruitful decision-making, particularly when problem happen between family individuals was a much more fundamental issue than preserving trust between family members.

Ayranci<sup>[72]</sup> demonstrates the work hiring process regarding top decision-making, the basic rationale seems different because family effects on the business prepare process was seen as alluring. In opposite, attempts to afford business survival and make family individuals prepared for leadership roles inside the family business were significantly correlated with the establishing of trust between family members.

Samad and Abdullah<sup>[73]</sup> clarified that transformational leadership style had a positive and critical impact on organizational performance.

These transformations in a family company can elevate the society that is governed by a voice into a society governed by several voices. Moving it from unilateralism to pluralism, to form a state of integration that is in keeping with modernity, to put the dominant class in a position of confrontation with distant vision, Family Company<sup>[69]</sup>.

Traditionally, large family businesses that have reached or are in the third generation tend to adopt a

leadership system that controls all processes and challenges faced by the family. Whether in conflicts over ownership, leadership, how family members are employed, family, or even the establishment of family and administrative councils<sup>[69]</sup>.

Over time, a company seeking maturity is bound to develop its management and embrace the principle of transparency and clarity over its breadth. It can be said that the arrival of the company to the threshold of the second-generation is a strong motivation to activate the system of leadership. This is closely linked to the age of the company and the size of the known growth and expansion of markets and geographical spread which calls for greater clarity and transparency in administrative processes<sup>[70, 15, 69, 6, 7]</sup>.

**Successful family business in Africa:** Family business plays an important role in Africa and a great pillar to its economy and a primary source of employment and entrepreneurship.

This research argues the impact of family business on performance in developing countries. Return to Eco managerial social networking in which it fills the gaps<sup>[74, 75]</sup> by investing their resources and skills to support business activities in these developing countries like Africa.

Family business in Africa creates a privilege and competitive advantage depending on its resources and capabilities. According to Miller and Friesen<sup>[76]</sup> says that family business must implement business strategy to have a competitive advantage on market one must consider internal capabilities and external environment this will enhance organizational returns. As a sequence researcher reach to a conclusion that implementing a competitive strategy reflects high performance<sup>[77, 78]</sup>. It's known that social networking relationships with other external elements, people, factors increase family firm's performance<sup>[77, 79-81]</sup>.

**Leadership in Lebanese family businesses:** Lebanese family businesses have reached a level of growth and administrative complexity of 48% which necessitates the adoption of the principle of good leadership to maintain its continuity. Thus, 52% of our Lebanese companies did not reach this stage because they did not reach the stage that requires such procedures or expansion and growth in the size of the business. It is important to note that this does not negate the existence of professional management, administrative structure and organization but at the level of size, especially since the size of Lebanese family businesses is 43% average and average age is 40 years<sup>[70, 69]</sup>.

The more the company grew and the family grew and became more complex, the need arose for a system of

leadership that lay out frameworks and structure for matters related to work and organized the family relationship with the company<sup>[14, 69]</sup>.

**Kouzes and Posner exemplary leadership theory:** Kouzes and Posner<sup>[28]</sup> has developed their exemplary leadership theory and they created a quantitative instrument of 30 statements the leadership practices inventory LPI self-questionnaire to study the leaders behavior.

The 5 exemplary leadership practices LPI can be used to by small and medium sized companies which can be summarized by: model the way, challenge the process, inspire a shared vision, enable others to act and encourage the heart<sup>[28]</sup>.

Model the way is the degree to which the leaders set themselves as a good example of what they anticipate from others. Model the way; adapt a common set of values agreed on it for running the organization. They ask for feedback on how their actions affect other people's performance and require their commitment.

Inspire a shared vision is the degree to which leaders can predict the future image of his business. They speak in a confidence way about the exact meaning of their work and its purposes. They share with others an energizing dream and how common goals achieved in the future if they shared a common vision.

Challenge the process is the degree to which pioneers search for good opportunities. These leaders try to find new and innovative ideas to do their work effectively and to take the initiatives to develop and improve their organization as growth opportunity<sup>[28]</sup>.

Enable others to act is the degree to which pioneers engage individuals and empower them to make decisions, giving them opportunity in choosing how to do their work. They bolster the choices that individuals make on their possess. When enable others to act, a leader effectively include others, create agreeable relationships and indicates that mutual respect is very important to maintain extraordinary efforts.

Encourage the heart is the degree to which leaders recognize their employees and celebrate the achievements of their individuals. When encourage the heart, leaders illustrate veritable acts of caring. They give appreciation and bolster for their individuals and express certainty in people's capacities<sup>[28]</sup>.

## MATERIALS AND METHODS

**Target population:** The population that, we are looking Lebanese family business leaders; at least 300 companies were selected for the study which represents 300 Lebanese family business leaders of second generation.

In this context, the statistics shows that the total number of Lebanese companies amounted to 11808 companies as available by the Ministry of Finance including companies that do not operate according to their permits with the ministry<sup>[82, 83]</sup>.

**Sampling size:** From the whole population a random sample of 300 companies were selected which represents 300 family business leaders from all Lebanese regions and from various economic activities. The questionnaire was distributed to 300 family business leaders (first and second generation) and the complete returned questionnaire was 267 respondents which represent 89% as response rate. I filtered the data and removed 44 questionnaires because of incomplete and missing data. At the end 115 complete questionnaires were used in data analysis for first generation and 108 for second generation. In this paper I analyze the main results of the 108 participants for second generation leaders.

**Methods applied for data collections:** In this study, the data collection method used is the questionnaire because it is the best method to measure and observe the variables according to Goertzen<sup>[84]</sup>, Watson<sup>[85]</sup>, Holton and Burnett<sup>[86]</sup> and Sukamolson<sup>[87]</sup>.

According to Kouzes and Posner<sup>[28]</sup>, LPI-self questionnaire composed of 30 statements were used based on a 5-point the Likert Scale ranging from (1) strongly disagree to (5) strongly agree. More over demographic and firm information has been collected about the family business leaders. While the secondary data, it has been collected from a well-known published articles. It was the plan to make some interviews but we couldn't make itsince the period of data collection is during of the infection of corona virus COVID-19.

**Data analysis instruments:** We depend on the Statistical Package for Social Sciences (SPSS) Version 23 and AMOS 24 program (Analysis of Moment Structure), to study and analyze the data collected from the questionnaire and the proposed hypothesis to show the relationship and the effectiveness between the independent variable and the dependent variable. To test the impact of the leadership practices on business performance for the second generation leaders by testing several methods related to descriptive analysis, confirmatory factor analysis, the reliability and validity analysis, correlation analysis, model fit analysis and we relied on Structural Equation Modeling (SEM) to explain the results.

**Research variables:** The research variables that I have used in my research study to show the relationship between the independent variable and the dependent variables and the effect of a change in one variable, in the second (independent) variable are:

**Model the Way (MTW):** Leaders sharing values with their actions.

**Inspire a Shared Vision (ISV):** Leaders share vision about future with their employees and team.

**Challenge the Process (CTP):** Leaders take risk actions for new opportunities and innovative ways by relying on their own experience.

**Enable others to Act (EOA):** Leaders adopt collaboration at work through good relationships and enhancing trust and developing employee's capabilities.

**Encourage the Heart (ETH):** Employee recognition, encouragement and appraisal.

These dependent variables for this research study consist of the family business performance indicators that represent the measures for continuity and success in family businesses and which includes the following: Change in the number of employees. Perception of profitability. Satisfaction with leadership position.

## RESULTS AND DISCUSSION

**Respondent personal information:** Table 1 shows the respondent's demographic information. It shows that for the second generation (n = 108) represent (48.44%) of the family businesses, 104 (96%) were males and 4 (4%) were females represented the family business leaders, (42%) of them have 29-39 years old, (29%) of them had

Table 1: Respondent's personal information: demographic data obtained by second generation leaders in percentage (%) (n = 108)

Variables	Values
<b>Gender</b>	
Male	96.00
Female	4.00
<b>Age of the family business leader</b>	
18-28	5.00
29-39	42.00
40-50	29.00
51-60	18.00
61-70	6.00
>71	0.00
<b>Years as a leader</b>	
1-5	18.00
6-10	29.00
11-20	23.00
21-30	22.00
31-40	6.00
>41	2.00
<b>Level of education</b>	
High school	34.00
Bachelor	45.00
Master	14.00
Ph.D.	3.00
Other	4.00

Author's own research results

Table 2: General data for the second generation firms in percentage (%) (n = 108)

Industry	Values
Agriculture	4.00
Services sector	7.00
Construction	6.00
Food industry	13.00
IDM wood and furniture	6.00
Manufacturing	9.00
Textile	4.00
Wholesale and retail	41.00
Electric machines	5.00
Plastic and chemicals	5.00
<b>Other</b>	0.00
<b>Size (Number of the employees)</b>	
<20	77.00
20-100	19.00
>100	4.00
<b>Age of firm (Years)</b>	
<5	0.00
5-10	0.00
11-20	12.00
21-30	33.00
31-40	22.00
41-50	17.00
>51	1600.00

Author's own research results

Table 3: Measuring the Leadership Practices Inventory (LPI) by second generation leaders-descriptive statistics (n = 108)

Parts of the LPI	Aggregated means*	SD
MTW	4.120	0.776
ISV	4.073	0.851
CTP	4.094	0.753
EOA	3.841	0.870
ETH	3.949	0.934
BP	3.880	0.863

MTW = Model the way; ISV = Inspire a Shared Vision; CTP = Challenge the Process; EOA = Enable Others to Act; ETH = Encourage the Heart; BP = Business performance; \*1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly agree; Author's own research results

6-10 years of experience as a leader and the majority of them (45%) were holders bachelor's degree. The second-generation family business leaders are dominated by males.

**General data for the second generation firms:** The general data of the participated firm's information are presented in Table 2. It shows that the second-generation companies (41%) belonged to the wholesale and retail industry, (77%) were small size companies <20 employees and (33%) were have 21-30 years old.

**Descriptive statistics:** Descriptive statistics in SPSS compute the following components: means and Standard Deviation (SD).

Table 3 presents the mean and standard deviation scores of leadership practices for the second-generation. Abu-Tineh *et al.*<sup>[88]</sup>'s result indicated that the means and

standard deviations of the 5 leadership practices, the mean of Enabling Others to Act (EOA) has the highest mean score (3.36), followed by Encouraging the Heart (ETH) (3.23) and Model the Way (MTW) (3.09), respectively. Challenge the Process (CTP) (2.90) and Inspiring a Shared Vision (ISP) (2.76) have the lowest means. Further, the standard deviation scores in both enabling others to act (SD = 0.91) and encouraging the heart (SD = 0.91) leadership practices are equal and greater than other parts of LPI.

However, my results is different in the means and standard deviation for dimensions of the second generation leaders Model the Way (MTW) has the highest mean, followed by Challenge the Process (CTP) (4.094), Inspiring a Shared Vision (ISP) (4.073) and Encouraging the Heart (ETH) (3.949), respectively. Enabling Other to Act (EOA) (3.914) have a lowest mean. The variability of the dimension Encouraging the Heart (ETH) (SD = 0.934) is greater than the other dimension.

The reasons behind this difference is because of the difference in culture and the random sample of my data results represent the Lebanese family business leaders which cannot be generalized to any distinctive culture.

**Analysis of the Leadership Practices Inventory (LPI)-reliability and validity for the second generation leaders:**

In the following section quantitative analysis used Cronbach's alpha as an output for a scale's reliability. This confirms the reliability and builds internal consistency of a latent construct<sup>[89, 90]</sup>. Table 4 shows that Cronbach's alpha coefficient for all constructs ranges between 0.945 and 0.879 which are above the threshold value 0.70 which indicates that all the items are internally consistent and reliable<sup>[91]</sup>.

**Convergent validity:** The Confirmatory Factor Analysis (CFA) was used to measure the convergent validity and AMOS 24 was used to detect the convergent validity and discriminant validity. Three important indicators were used to assess the convergent validity which is factor loadings, Average Variance Extracted (AVE) and Composite Reliability (CR). According to Hair *et al.*<sup>[92]</sup> recommended that the items with factor loading higher than 0.5 can be realized. As stated by Lam<sup>[93]</sup> Composite Reliability (CR) ranges between 0.79-0.95 which meets the satisfactory level of 0.60 suggested by Fornell and Larcker<sup>[89]</sup>. These indicators show that the assessed items have a high degree of internal reliability. The Average Variance Extracted (AVE) displays the value of variance in the indicators that is accounted for by the latent constructs and could be a more conservative assess of the validity of the estimated model<sup>[89]</sup>. Most of the constructs in research meet the 0.5 level endorsed by Fornell and Larcker<sup>[89]</sup>. Table 4 and Fig. 1 shows all items loadings ranges between 0.913-0.682 and statistically significant

Table 4: CFA results: reliability and validity for second-generation leaders

Variables	Measurement/Items	Factor loading	$\alpha$	CR	AVE
Mtw1	1. I set myself as a personal example of what I expect of others	0.816	0.910	0.919	0.655
Mtw2	6. I make certain that people adhere to the principles and standards that have been agreed upon	0.84			
Mtw3	11. I follow through on the promises and commitment that I make	0.874			
Mtw4	16. I ask for feedback on how my actions affect other people's performance	0.796			
Mtw5	21. I build consensus around a common set of values for running our organization	0.829			
Mtw6	26. I am clear about my philosophy of leadership	0.687			
Isv1	2. I talk about future trends that will influence how our work gets done	0.841	0.930	0.931	0.692
Isv2	7. I describe an encouraging image of what our future could be like	0.847			
Isv3	12. I appeal to others to share an exciting dream or a vision of the future	0.832			
Isv4	17. I show others how their long-term interests can be realized by enlisting in a common vision	0.821			
Isv5	22. I paint the "big picture" of what we aspire to accomplish	0.817			
Isv6	27. I speak with complete certainty about the supreme meaning and purpose of our work	0.832			
Ctp1	3. I seek out challenging opportunities that test my own skills and abilities	0.868	0.944	0.944	0.739
Ctp2	8. I challenge people to try out new and innovative ways to do their work	0.857			
Ctp3	13. I actively search for innovative ways to improve what we do	0.858			
Ctp4	18. I ask "What can we learn?" when things do not go as expected	0.85			
Ctp5	23. I identify measurable milestones that keep projects moving forward	0.868			
Ctp6	28. I experiment and take risks even when there is a chance of failure	0.856			
Eoa1	4. I develop cooperative relationships among the people I work with	0.859	0.898	0.896	0.592
Eoa2	9. I listen well to diverse points of view	0.75			
Eoa3	14. I treat others with dignity and respect	0.73			
Eoa4	19. I involve people in the decisions that directly impact their job performance	0.693			
Eoa5	24. I give people a great deal of freedom and choice in deciding how to do their work	0.682			
Eoa6	29. I ensure that people grow in their jobs by learning new skills and developing themselves	0.88			
Eth1	5. I praise people for a job well done	0.839	0.945	0.948	0.753
Eth2	10. I strive to let others know about my confidence in their abilities	0.859			
Eth3	15. I make sure that people are creatively rewarded for their contribution to the success of our projects	0.841			
Eth4	20. I publicly recognize people who exemplify the commitment to shared values	0.88			
Eth5	25. I get personally involved in recognizing people and celebrating accomplishments	0.91			
Eth6	30. I tell stories of encouragement about the good work of others	0.874			
Bp1	14. What is your perception of the profitability of your business as compared to similar sized businesses in your industry and geographic area?	0.792	0.879	0.869	0.709
Bp2	15. How satisfied are you with your experience as the leader of your family business?	0.815			
Bp3	17. How do you evaluate the progress in the number of employees in your family business?	0.913			

p = 0.00 in all cases;  $\alpha$  = Cronbach's alpha; CR = Composite Reliability and Average; AVE = Variance Extracted; MTW = Model the Way; ISV = Inspire a Shared Vision; CTP = Challenge the Process; EOA = Enable Others to Act; ETH = Encourage the Heart; BP = Business performance; Author's own research results

( $p < 0.05$ ) which can be maintained. Composite Reliability (CR) for all constructs ranges between 0.948 and 0.869 which are above 0.50 that indicates that all the constructs demonstrate a good level of Composite Reliability (CR) as recommended by Hair *et al.*<sup>[94]</sup>. The Average Variance Extracted (AVE) value for all the constructs is located between 0.753-0.592 which is above the threshold value 0.50 which is suggested by Hair *et al.*<sup>[91]</sup>. This present the data results in Table 4 are internally consistent.

**Discriminant validity:** As stated by Fornell and Larcker<sup>[89]</sup> discriminant validity is the degree to which a latent variable is accurately distinct from other latent variables. The discriminant validity was examined by

using<sup>[89]</sup> method. He proposed that if the square root of the AVE for a latent construct is greater than the correlation values among all the latent variables that mean the discriminant validity is supported.

Table 5 shows that the square root of the AVE values of all the constructs is greater than the inter-construct correlations which confirm discriminant validity. The goodness-of-fit measures were used to assess the fitness of a measurement model.

The results confirm an adequate model fit (CMIN/df = 2.341, GFI = 0.901, TLI = 0.899, CFI = 0.900, RMSEA = 0.062) sometimes the NFI (Normed Fit Index), NNFI is called the Tucker Lewis Index (TLI)<sup>[95]</sup>. Thus, the measurement model indicates good construct validity and reliability.

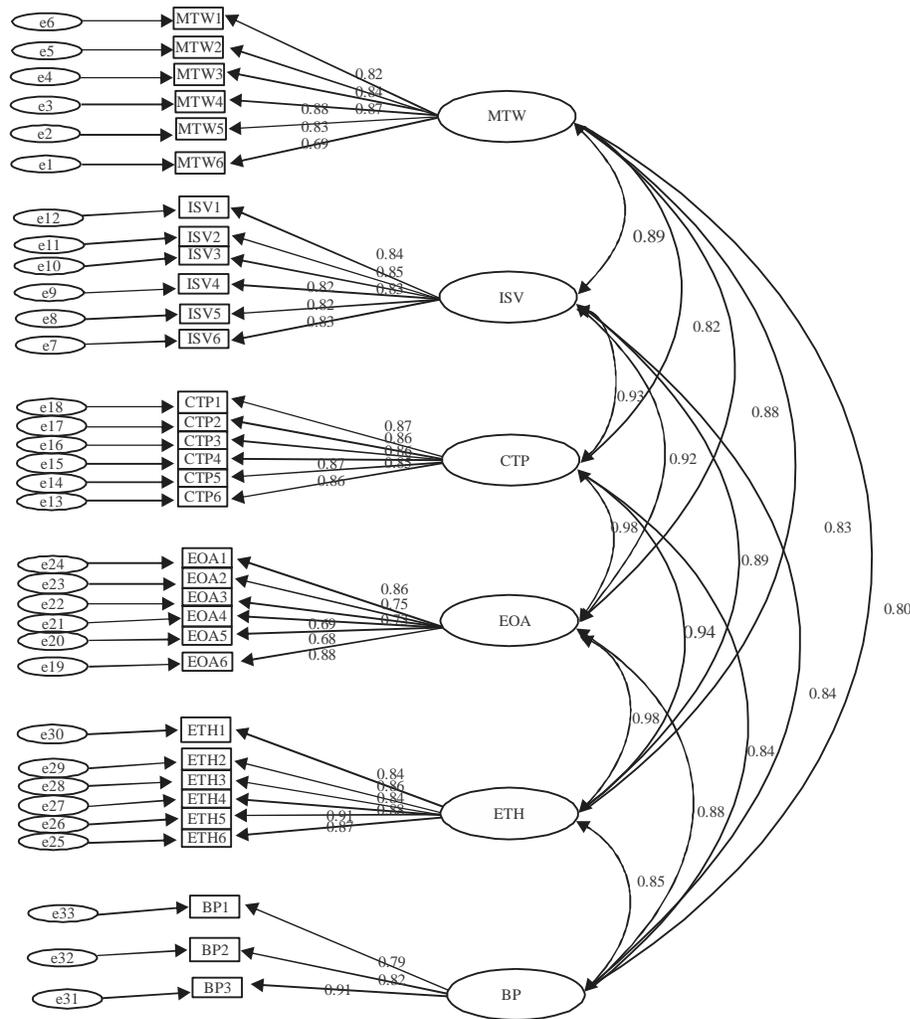


Fig. 1: Model measurement for second-generation; Author’s own research contribution

Table 5: Discriminant validity for second-generation

Variables	AVE	MTW	ISV	CTP	EOA	ETH	BP
MTW	0.655	0.809					
ISV	0.692	0.489***	0.832				
CTP	0.739	0.721***	0.727***	0.860			
EOA	0.592	0.684***	0.617***	0.677***	0.769		
ETH	0.753	0.725***	0.590***	0.736***	0.582***	0.868	
BP	0.709	0.501***	0.644***	0.444***	0.379***	0.453***	0.842

\*\*Correlation is significant at the 0.01 level (2-tailed); MTW = Model the Way; ISV = Inspire a Shared Vision, CTP = Challenge the Process; EOA = Enable Others to Act; ETH = Encourage the Heart; BP = Business Performance; Author’s own research results

**The Structural Equation Modeling (SEM):** Structural Equation Modeling (SEM) it is used for the analysis and interpretation of the data results obtained from my study<sup>[91, 96, 97]</sup>.

PLS-SEM is used to test empirically the research proposed hypothesis<sup>[98]</sup> where in Fig. 2 and Table 6 (second generation), might be identified by looking at the negativity or positivity of the path coefficients which are anticipated to be at least 0.2 and its preferred to be >0.3<sup>[91]</sup>.

**Hypothesis testing for the second generation:** The Structural Equation Modeling (SEM) was used to test empirically the proposed hypothesis. The model goodness-of-fit results for the second generation indicates a good model fit (CMIN/df = 2.512, GFI = 0.910, TLI = 0.900, CFI = 0.890, RMSEA = 0.050) sometimes the NFI (Normed Fit Index), NNFI is called the Tucker Lewis Index (TLI)<sup>[95]</sup>. The results of the hypothesis test are shown in Table 6 and Fig. 2. The results show that the leadership practices for the second generation, i.e.,

Table 6: Result of hypothesis test for the second generation

No.	Hypothesis	Beta coefficient	p-values	Result
H <sub>o1</sub>	Model the way→Business performance	0.644	0.001	Supported
H <sub>o2</sub>	Inspire a shared vision→Business performance	0.023	0.765	Not supported
H <sub>o3</sub>	Challenge the process→Business performance	0.226	0.004	Supported
H <sub>o4</sub>	Enable others to act→Business performance	0.107	0.176	Not supported
H <sub>o5</sub>	Encourage the heart→Business performance	0.315	0.000	Supported

Author's own research results

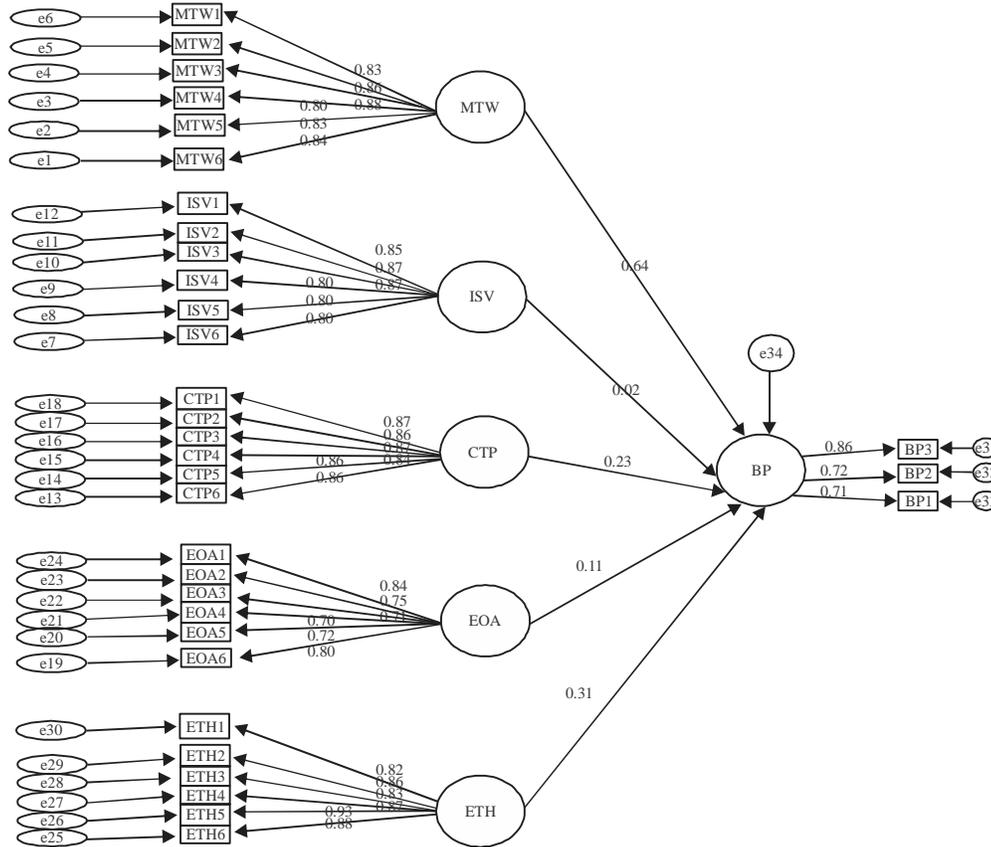


Fig. 2: Structural model results-second generation; Author's own research contribution

model the way ( $B = 0.644$ ,  $p < 0.001$ ), challenge the process enable others ( $B = 0.226$ ,  $p < 0.004$ ) and encourage the heart ( $B = 0.315$ ,  $p < 0.000$ ) are significantly and positively impact on a business performance which lends significantly support H<sub>o1</sub>, H<sub>o3</sub> and H<sub>o5</sub>. Moreover, the results show that inspire a shared vision ( $B = 0.023$ ,  $p < 0.765$ ) and enable others to act ( $B = 0.107$ ,  $p < 0.176$ ) have no significant impact on a business performance, therefore, H<sub>o2</sub> and H<sub>o4</sub> are rejected.

The model illustrated in Fig. 2 (Structural model results-second generation) and Table 6. Where the results of the R<sup>2</sup> value for the dependent variable family business performance in Fig. 2 and Table 6 for the second generation classification is 0.86, 0.72 and 0.71.

This result shows that the leadership practices of Model the way, Challenge the process, and encourage the

heart interpret 86, 72 and 71% of the variation in the family business performance by second generation leaders. Hence, these are the leadership practices that have a significant and positive impact on family business performance for the second-generation family business leaders.

The model demonstrated in Fig. 3. Indicates the positive correlation between the approved hypothesis with Model the Way (H<sub>o1</sub>), Challenge the process (H<sub>o3</sub>) and encourage the heart (H<sub>o5</sub>) with the family business performance.

**Hypothesis H<sub>o1</sub>:** Suggested the individual leadership practice “model the way” MTW is positively correlated to the family business performance for the second-generation family business leaders.

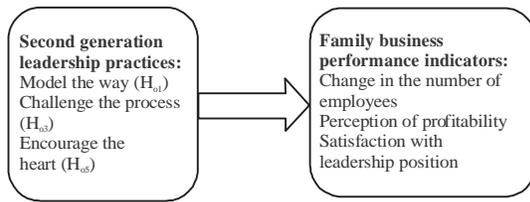


Fig. 3: The model of leadership practices and its correlation to family business performance; Author's own research contribution

The results demonstrate a positive ( $\beta = 0.644$ ) and significant relationship ( $p < 0.001$ ) between the leadership practice Model the Way (MTW) and family business performance. Therefore,  $H_{01}$  is supported. This result is consistent with the participant's practices conducted by Kouzes and Posner<sup>[28]</sup>, this is also similar to Sandbakken<sup>[99]</sup> in a Norwegian context and Abu-Tineh *et al.*<sup>[87]</sup> and as stated by Goewey<sup>[100]</sup>.

**Hypothesis 2  $H_{02}$ :** The individual leadership practice “inspire a shared vision” ISV is positively correlated to the family business performance for the second-generation family business leaders.

The results demonstrate a negative ( $\beta = 0.023$ ) and no significant relationship ( $p < 0.765$ ) between the leadership practice “inspire a shared vision” (ISV) and family business performance. Therefore,  $H_{02}$  is not supported. This finding is inconsistent with Kouzes and Posner<sup>[28]</sup> model and<sup>[99, 100]</sup>.

**Hypothesis  $H_{03}$ :** The individual leadership practice “Challenge the Process” CTP is positively correlated to the family business performance for the second-generation family business leaders.

The results demonstrate a positive ( $\beta = 0.226$ ) and significant relationship ( $p < 0.004$ ) between the leadership practice “challenge the process” (CTP) and family business performance. Therefore,  $H_{03}$  is supported. This result is identified by Kouzes and Posner<sup>[28]</sup> and confirmed by Sandbakken<sup>[99]</sup> in a Norwegian context and Abu-Tineh *et al.*<sup>[88]</sup> and according to Goewey<sup>[100]</sup>.

Family business leaders who are pioneers who challenge the process they trust in their actions and abilities and they trust that things will occur. These pioneers need to look continually outside themselves and the business to look for opportunities and innovative ways and by searching externally for approaches to develop. This steady looking for of approaches to improve will undoubtedly affect the family business performance.

**Hypothesis  $H_{04}$ :** The individual leadership practice “enable others to act” EOA is positively correlated to the family business performance for the second generation

family business leaders. The results demonstrate a negative ( $\beta = 0.107$ ) and no significant relationship ( $p < 0.176$ ) between the leadership practice “enable others to act” (EOA) and family business performance. Therefore,  $H_{04}$  is not supported. This finding is inconsistent with Kouzes and Posner<sup>[28]</sup> model and<sup>[99, 100]</sup>.

**Hypothesis  $H_{05}$ :** The individual leadership practice “Encourage the Heart” ETH is positively correlated to the family business performance for the second-generation family business leaders. The results demonstrate a positive ( $\beta = 0.315$ ) and significant relationship ( $p < 0.000$ ) between the leadership practice “Encourage the Heart” (ETH) and family business performance. Therefore,  $H_{05}$  is supported. This result is identified by Kouzes and Posner<sup>[28]</sup> and confirmed by Sandbakken<sup>[99]</sup> in a Norwegian context and Abu-Tineh *et al.*<sup>[88]</sup> and according to Goewey<sup>[100]</sup>. The empirical results of this study for the second-generation did not indicate all the 5 practices of Kouzes and Posner<sup>[28]</sup> leadership inventory LPI.

In sum, the results of the hypothesis test are shown in show that the leadership practices for the second generation model the way, challenge the process and encourage the heart are significantly and positively impact on a business performance which lends significantly support  $H_{01}$ ,  $H_{03}$  and  $H_{05}$ . Moreover, the results shows that inspire a shared vision and enable others to act have no significant impact on a business performance, therefore,  $H_{02}$  and  $H_{04}$  are rejected.

## CONCLUSION

The impact of leadership practices on family business performance has been an attractive topic among family business leaders and scholars. However, the idea that leadership practices affect family business continuity is still under study. Also, the empirical studies on this association are limited. The current paper study contributes empirical evidence which may provide to filling this gap. The aim of this study is to detect the influence of leadership practices, i.e., (Model the way, Inspire a shared vision, challenge the process, enable others to act and encourage the heart) on family business performance among second generation leaders in the selected Lebanese family businesses context. The empirical analysis has presented several key findings: first, analytical results show that the leadership practice model the way has a significant impact on a business performance for the second generation family business leaders which means  $H_{01}$  is supported. Second, the analytical results the leadership practice inspire a shared vision has no significant impact on a business performance for the second generation family business leaders which means  $H_{02}$  is not supported. Third, the

analytical results confirmed hypothesis  $H_{o3}$  by showing that the leadership practice challenge the process has a significant impact on a business performance for the second generation family business leaders. Fourth, the analytical results the leadership practices enable others to act has no significant impact on a business performance for the second generation family business leaders which means  $H_{o4}$  is not supported. Fifth, the analytical results confirmed hypothesis  $H_{o5}$  by showing that the leadership practices encourage the heart significantly and positively impacts the family business performance for the second generation family business leaders. In conclusion, the Lebanese family business can achieve superior business performance by using the leadership practices model the way, challenge the process and encourage the heart.

**Contribution of the research:** The empirical result of the study showed that there are a significant and positive correlation between the individual leadership practices Model the Way (MTW), Challenge the Process (CTP) and Encourage the Heart (ETH) with the family business performance for the second-generation leaders.

The results demonstrates that the adaption of the leadership practices LPI of Kouzes and Posner<sup>[28]</sup> by the Lebanese second generation family business leaders will lead to the positive influence on family business performance.

The Lebanese family business leaders for the second generation could take into consideration these research empirical results to improve and develop the leadership practices in their own business to maintain continuity of the family businesses to later generations.

## RECOMMENDATION

From the personal information the percentage of the family business leader who is in age above 60 is 18% and maybe they are going to retire in the next few years, they have to prepare their incumbent and provide them with the necessary leadership practices and training to lead the family business.

According to the level of the preparation of the successor who is well prepared to hold the business or not, there should be a training programs on the 5 leadership practices especially those who lack the correlation between the leadership practices and the family business performance to develop his/her managerial and leadership skills.

Viable suggestions and reasonable results are examined for family business leaders and family businesses and more scope for advance investigation and research are suggested.

Lebanese family businesses are in need to arise the adoption of the principle of good leadership system like Kouzes and Posner Leadership Practices Inventory LPI to maintain its continuity.

## LIMITATIONS

In this research study, I conducted a subjective measure of performance instead of using an objective measure. The objective measure of performance is favored. But all family firms are family owned businesses so the objective performance data was difficult to be realized. It's possible it was biased in some forms. Further investigations required that may provide a better appraisal of the leadership practices and its influence on a business performance. Moreover, as stated by Wall *et al.*<sup>[101]</sup> who insists the use of subjective measure instead of objective measure.

Lebanon, is currently suffering from the worst financial and economic crisis in its history and which in turn threatening its stability, with a deficit more than \$85 billion. "Corona has led to a group of monetary, economical, commercial and social crises, as for the sectors most affected by the pandemic, above what they suffered as a result of the economic crisis that preceded the pandemic and led to the decline of the economic wheel. The >2.200 Lebanese companies and establishments closed their doors during the year 2019, at the same time; the Ministry of Finance announced that 3.250 establishments and shops had submitted declarations that they would stop operating<sup>[83]</sup>. And the report prepared by "Info-Pro" company and published by "Business News", indicated an increase in the number of companies that closed their doors by 20% in the past two months, 12% of all companies stopped working or suspended their operations<sup>[83]</sup>. All, the reasons mentioned threatens the family business continuity and development and make them less motivated to conduct an interview and less care to cooperate in filling the questionnaire. Further studies should include larger numbers of companies and more motivated leaders.

The limitation of the investigation of what are the success factors of the leadership practices behind family business performance instead of studying the non-family companies.

## ACKNOWLEDGMENT

I would like to say many thanks to my advisor Dr. Szilard Berke for his guidance and encouragement during the preparation and for making many valuable recommendations for enhancement and finalization stages of this work. My special dedication to my loving wife, Ramona Al Danaf who believe in the richness of learning

and who has been a constant source of support and encouragement during the challenges of graduate University and life. I am truly thankful for having you in my life. This publication has been written by “Excellence in Leadership and Management” and “Humanagement-Human Value” research groups as founders of the Leader’s Habits Network-leadershabits.com. The research is carried out by EFOP-3.6.1-16-2016-00007. It was supported by the Intelligent Specialization Program at the University of Kaposvár.

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