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# **Protect and Be Served? - The Revival of Paternalistic Leadership in the Light of Family Businesses**

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## **Summary**

Paternalistic leadership as a more humanistic type of autocratic style has long been identified in leadership research. However there is quite a lot of disagreement on the evaluation of such leadership: most Asian studies on the topic identifies it as a desirable type, which is quite the contrary to most Western research results. Research suggests that paternalism could work as an effective leadership style in many non-Western cultures, however in the Western context it is considered manipulative and authoritative (Pellegrini & Scandura, 2006).

Chinese, Turkish, Indian, Hungarian and Romanian empirical studies have identified the presence and acceptance of such leadership in organizations in the last decade (Scarlat & Scarlat, 2007, Heidrich & Alt, 2009, Sucala & Kostina, 2010).

Paternalism as a leadership attitude is naturally present in FBs, especially in the founding stage of development. This feature provides the solid bases for establishing a strong and proud culture built around the personality and success of the founder. This characteristic however can become a major hindering factor upon succession. Through a review of the literature and the INSIST studies for Eastern Europe this study aims to identify the supportive and limiting factors of both phenomena and using the case studies of the INSIST research project. Paternalism is found to be broken down into authoritarian, benevolent and moral from the literature review and the case studies find paternalism also existing as 'enlightened paternalism'. After discovering studies claiming that paternalism is a stage in the process of leadership style changing from participative to autocratic (or vice versa), our findings suggest that some family firms are on the path from autocratic towards a more participative leadership style.

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## 1. Introduction

The management practices in the past in CEE were highly determined by the social and political environment. Obedience to the Party and its ideology was the governing management philosophy, which gave a very distinctive character to the organisations and its managers operating in that system.

No executive labour market had existed. This led to the fact that state enterprises were often run by people of mediocre talents. Hence these CEOs were most interested in maintaining a position of privilege and status did not deserved (Suutari & Riusala, 2001).

All business and political leaders were easily recognizable by the privileges they held. Hierarchy and centralization were all around the organisations. Status was very clear for everybody so as the rights linked with status (Hofmeister-Tóth and Bauer, 1995). Similar characteristic could be easily found in other Communist systems in Asia (Chow, 1992). Therefore, it is not just by chance that the countries from the Eastern European cluster had the highest average discriminant probability to be classified into the Southern Asian cultural cluster (Gupta, Hanges & Dorfman, 2002).

The result of the above features had become an intensive power culture. The attributes of this intensive power cultures were the autocratic or paternalistic leadership style, risk avoidance and responsibility avoidance (Bakacsi, 1995).

Several surveys proved in the communist regime, that X-type manager was more typical than the Y-type among leaders in industry (Bakacsi, 1989; Máriás, 1989).

### 1.1 *The Revival of Paternalistic Leadership*

As early as the time of the first studies on leadership the discourse on paternalistic leadership and its validity has already started. The very early behavioural management theorists argued that managers are required to be nurturing and paternalistic to manage productive work groups (Munsterberg, 1913; Follett, 1933). In spite of this Weber (1947) argued that paternalistic methods and practices are the constraints of the bureaucratic development of organisations.

#### *Definition*

Paternalistic leadership can be defined as *“a style that combines strong discipline and authority with fatherly benevolence”* (Farh & Cheng, 2000, p.91). The authoritarianism characteristic refers to the leader behaviours that assert authority and control, whereas the benevolence characteristic refers to an individualized concern for subordinates' personal well-being. (Pellegrini & Scandura, 2008, p. 567). For the authority concern Bing (2004) suggested that a boss is essentially a mutated replica of one's original authority figure: the parent. Leaders of this kind guide both the professional as well as the personal lives of their subordinates in a manner resembling a parent (Gelfand et. al, 2007).

This parental feature, mainly father figure, is one of the reasons why paternalistic leadership is still a widely accepted leadership type in many parts of the world (Pellegrini & Scandura, 2006; Aycan & et al., 2000) As Iorga argued, *“there is an authority which can be recognized through fear and another one to which people are looking with love and which is stronger than the other one”* (Iorga, 1972).

However, as we have found, since Weber (1947) paternalism is a strongly opposed leadership characteristic for Western scholars. It has increasingly been perceived negatively in Western

management literature, describing paternalism as “benevolent dictatorship” (Northouse, 1997, p. 39). Other scholars defined paternalistic leadership as a development stage in between autocracy and consultative participative models (Schein, 1981).

Collela et.al (2005) defined it as a “hidden and insidious form of discrimination”. The argument was supported by the findings of Heidrich & Alt (2010), where “circles of trust” were found in organisations with paternalistic leadership. For those ones who are not in the mutual circle of loyalty, the style left is rather autocratic on the task level and less humanistic on the relation level. Western scholars even question the benevolent intent in paternalistic leadership relations (Padavic & Earnest, 1994, p. 389). As Uhl-Bien and Maslyn argues (2005) this benevolence is expressed by the leaders because they want something in return and through this benevolence indebtedness and oppression is created. Paternalistic leader is perceived clearly as an X type leader, when creating the above-mentioned oppression.

As opposed to Western management scholars’ arguments there seems to be a tendency, where scholars from other parts of the world strongly support the business validity of paternalistic leadership.

Our main concern is whether paternalistic leadership is not an outdated development stage of leadership development but a very vital and economically relevant form of management system. It seems that cultural determination of the phenomena is stronger than the assumed “*only-a-level-of development*” Western management literature approach. Many empirical research has supported the dominant presence of it in India, Turkey, China, and Pakistan to name a few of the developing economies (Pellegrini & Scandura, 2008) Some of them are already the driving force of world economy and their role is becoming even more significant.

## *1.2 Distinctive Features of Family Businesses*

The rationale and actions of leaders of family firms set themselves apart from most other types of organisation. Family firms are often distinguished from non-family firms in terms of governance, purpose, the importance of networking, leadership and career paths, to name but a few. Dyer (2006) identified the factors that could increase or decrease the performance of family firms:

Table 1. Family factors and performance in family firm

Family Factors Contributing to High Performance	Family Factors Contributing to Low Performance
<p><i>Agency Benefits</i> Lower agency costs due to the alignment of principal-agent goals Lower agency costs due to high trust and shared values among family members</p>	<p><i>Agency Costs</i> Higher agency costs due to conflicting goals in the family Higher agency costs from opportunism, shirking, and adverse selection because of altruism (i.e., family members fail to monitor each other)</p>
<p><i>Family Assets</i> Human capital: the family has unique training, skills, flexibility, and motivation Social capital: the family develops relationships outside the family with employees, customers, suppliers, and other stakeholders that generate goodwill Family "branding" of the firm or of the firm's goods and services may generate goodwill and a positive image with stakeholders Physical/financial capital: the family may have physical or financial assets that can be used to support the firm</p>	<p><i>Family Liabilities</i> Family lacks necessary skills and abilities due to small labor pool, lack of talent, or inadequate training Family fails to develop social capital with key stakeholders due to distrust of outsiders (i.e., "amoral familism") Family relationships lead to complex conflicts among family that may undermine image and goodwill with stakeholders Family uses firm assets for personal use, thus draining the firm of financial and other resources</p>

Source: Dyer (2006:259)

If we consider table one then it can be seen that the family factors have the potential to improve or decimate the performance of family firms. These family factors may be seen within the concept of familiness.

### 1.3 The notion of paternalism in family firms

Leadership style is seen as achieving sustainable competitive advantage through the balancing of four competing criteria: 1) profitability and productivity; 2) continuity and efficiency; 3) commitment and morale; and 4) adaptability and innovation. This balancing is a competence referred to as behavioural complexity and it was found by Hart and Quinn (1993) that higher levels of behavioural complexity lead to better overall firm performance. However, this does not mean that all leadership styles manage to achieve a suitable balance in their given context. Recent research also has broken down paternalistic leadership in family firms into three types: *authoritarian*, *benevolent* and *moral* (Rivers, 2015). The authoritarian paternalist controls and expects obedience, which is reminiscent of the first part of the definition put forward by Fahr and Cheng (2000), when referring to "strong discipline and authority". Benevolent leadership means that employees are respected and cared for, their needs are satisfied and support is given. This type certainly exemplifies the more positive aspects of 'fatherly benevolence'. The moral paternalistic leadership style results in the leader taking the helm with personal values, being seen as superior and leading by example. This third type seems difficult to contextualize in the definition of Farh and Cheng (2000) – seeing values as superior to others certainly appears very authoritative, whereas leading by example is not covered in Farh and Cheng's definition as it doesn't appear overly authoritarian or benevolent, and if anything, seems closer to an authentic leadership style. Aycan (2006) summarises the characteristics of paternalistic leadership styles as follows:

Table 2. Characteristics of three types of paternalistic leadership

## PATERNALISTIC LEADERSHIP

	<b>Benevolent paternalistic leadership</b>	<b>Authoritarian paternalistic leadership</b>	<b>Moral paternalistic leadership</b>
<b>Characteristics</b>	The leader demonstrates an individualised, holistic concern for familial and subordinates' personal wellbeing.	The leader asserts an absolute authority and expects subordinates to display strong performance.	The leader's behaviour does not hinder subordinates' rights and development or harm the organisation. The leader behaviour as a manner that demonstrates moral values, superior personal virtues, self-discipline.

Source: adapted from Aylan (2006)

The literature indicates that these types of leadership may be linked to national culture. For those ones who are not in the mutual circle of loyalty, the style left is rather autocratic on the task level and less humanistic on the relation level. Western scholars even question the benevolent intent in paternalistic leadership relations (Padavic and Earnest, 1994: 389). As Uhl-Bien and Maslyn (2005) argue this benevolence is expressed by the leaders because they want something in return and through this benevolence indebtedness and oppression is created. In light of these more oppressive aspects of paternalistic leadership, a paternalistic leader is perceived clearly as an X type leader.

If we consider literature outside the context of family firms then we find a fourth type of paternalistic leadership, referred to as enlightened paternalism. This concept was referred to by Kaufman (2003) in his study of Delta Airlines and related this to high-performance HRM where workplaces adopt a more participative strategy. In fact the term has been in use for some time: Lawrence (1979) referred to this term when looking at the governance of a micro-region in Mexico and found that there was greater participation and autonomy than usually associated with a paternalistic form of leadership. The scope of our study extends to all four of these forms of paternalism and we will examine the cases for evidence of the existence of these types, their impacts upon family firms and familiness.

Since this study is focussed on family firms in Central Europe, the following differences can be perceived between paternalism in the West and in Central-Eastern Europe (Bakacsi and Heidrich, 2011). Firstly, before 1990 the dominant leadership style was the paternalistic (benevolent-authoritative) (Bakacsi, 1988). Furthermore, managers from the Central European region tend to make more autocratic decisions than their Western counterparts (Jago et al, 1993). Central-Eastern European cultures tend to score higher on „Hierarchy” and „Conservatism” (Smith, 1997; Smith et al., 1996). If we consider Power Distance then societal practice has a significantly higher score in Central-Eastern-European cultures (House et al., 2004; Bakacsi et al., 2002) often with the tendency of leading to Self-protective leadership behavior (House et al., 2004). In a national culture context for leadership, GLOBE research revealed low scores for participative leadership (second order GLOBE leadership variable)

compared to world cultural clusters (House et al., 2004). GLOBE defines Participative (second order) leadership variable as follows: A leadership dimension that reflects the degree to which managers involve others in making and implementing decisions. Bakacsi and Heidrich (2011) maintain that “due to the cultural heritage, the unexpected level of uncertainty on both the social and organizational level, employees are still (or again) in need of a more nurturing, thus less democratic type of leadership”, and possibly edging more towards the paternalistic one. If we consider the wider context of this study not only from a cultural perspective but an employee perspective then we can see that since the financial crisis of 2008 (and beyond) crisis leadership, with tight deadlines and the need for fast decision making precipitate the need for an autocratic (dictatorial, ruler) leadership style.

Earlier in this section we considered that paternalistic leadership had two aspects: discipline and authority on the one hand and benevolence on the other. Many of the above factors indicate a strong tendency for firms to adopt a less participative and more authoritarian style of leadership in Central Europe. Furthermore, the current era of uncertainty and the need for nurturing as a part of this region’s cultural heritage point to a strong likelihood for leadership behaviours to have a certain degree of benevolence. Finally, Bakacsi and Heidrich (2011) claim that the paternalistic style is merely a stage in a leadership style changing from participative towards autocratic, and thus it seems highly likely, given the arguments presented here, for the paternalistic style to be highly prevalent in this region, and this potential trend includes family firms.

#### *1.4 The effects of paternalism on family firms*

When the proud founder tells his son or daughter “all this will be yours someday”, as mentioned in the introduction, this may also be considered as part of reward management (Lubatkin et al. 2007: 1025). Paternalism often results in an attitude of *take it or leave it* in terms of their leadership style towards children. Paternalistic drives result in leaders believing that they know best and even when faced with disagreement, they may continue on the same path as they are acting in the ‘children’s best interest’. This belief in knowing best and acting with best intentions has been found to result in the use of influence tactics such as calculative, coercive and transactional behaviour (Lubatkin et al. 2007). The knock-on effect of this may well be that the children resent being coerced and manipulated and thereby resist and rebel. This in turn is likely to be viewed by the leader as the ‘necessary cost of parenting’. The rebellion and resistance on the part of children of paternalistic leaders was found by Lim et al. (2010) to be directly related to paternalism i.e. “the more driven by paternalism, the more dysfunctional their firms intergenerational relationships become” (Lim et al., 2010: 206).

In terms of familiness, paternalistic leaders in family firms are likely to see the benefits of familiness as a trade-off with formal governance. Lim et al. (2010) claim that this may particularly be the case in family firms where paternalistic leaders see familiness as the means by which their own values and judgements are passed to their children.

#### *1.5 Paternalism as resource*

If we consider the resources of family firms in terms of capital, then a number of researchers have indicated the types of capital available to family firms as follows:

Table 3. Types of capital within family firms

Author	Types of capital within each model	Focus
Filep (2012)	Human Capital of family members	Internal
	Social Capital	External
	Survivability	Both
	Patience	Both
	Governance structures	Internal
Dyer (2010)	Human Capital	Internal
	Social Capital	External
	Financial Capital	Internal
Poza (2007)	Span of responsibility (of managers and owners)	Internal
	Ownership structure	Internal
	Market / customer focus	Internal
	Protection of family name and reputation	External
	Relationships between family, owners and management	External

Source: own source (INSIST)

## 2. Methodology

The INSIST project team members carried out desk top analysis based on the existing (national) literature and empirical research in order to provide a detailed picture about the importance of family business in the particular economies, focusing on such issues as the economic weight of family businesses, the socio-cultural and financial-legal environment of family firms, the succession process and some psychological aspects of managing family enterprises. Part of the focus of this study was on company- and family-level micro-mechanisms shaping ownership and management practices. Each participating country had to carry out 2 company case studies. The company case studies were based on semi-structured, problem-oriented in-depth-interviews with different stakeholders (owners/employers and employees) of family businesses, dealing with issues, like rules of entry and exit, commitment of the next generation, management practices, etc. The Hungarian team compiled 3, the Polish team 5 and the British team 2 case studies. As this study concerns paternalism in Central Eastern Europe, we will omit the British case studies. The illustration of the Polish and Hungarian cases can be found in the Appendix.

### 2.1 findings and discussion

The INSIST cases (for more details please visit the project website: <http://www.insist-project.eu/>) were used to find examples of paternalism in organisation and look for indications of potential affects and other considerations.

If we consider the variable of paternalism, then the literature indicates a number of types of paternalism: authoritarian, benevolent, moral and enlightened / altruistic paternalism. The INSIST cases indicate some signs of these typologies as follows:

Table 4. Findings from interviews - evidence of paternalism types

Paternalism type	Comments from owner of family firms
<i>Authoritarian paternalism</i>	„That’s why the position of Antoni, <b>the founder and owner is so strong</b> . Not only has he built a sound business but the family admire him for enormous professional knowledge, expertise and willingness to share it with the new generation. <b>His leadership style is strong and individual</b> , but he has no problems with delegating or sharing responsibilities. If there is any reluctance against undertaking managerial duties it’s due to the successors’ unwillingness to take over rather than any barriers on Antoni’s side. [...] The charismatic personality of the Founder, his huge knowledge, innovative and visionary attitude to his profession, determination, extremely hard work over many years, perseverance in perfection and wise, responsible risk taking.” (Plantex, Poland)
<i>Benevolent paternalism + Moral paternalism</i>	„For an owner, who is the founder of a private/family business, the company is similar to his/her own children.” (BI-KA, Hungary)
<i>Enlightened paternalism</i>	„The doyen is the principal manager in the company. He calls his management style ‘ <b>enlightened paternalism</b> ’ – everyone has freedom in his or her field of action and decision making. However, decisions which need to be taken collectively must have his final say. There are no concessions when it comes to such values as reliability, honesty or justice. The company’s success and its market position demonstrate that such management policy is effective and worth pursuing.” (DOMEX, Poland)

Source: own source (INSIST)

The cases seem to reinforce the findings in previous literature in relation to the types of paternalism as well as extend our understanding of paternalism - such as when the founder of the DOMEX case refers to his behaviour as ‘enlightened paternalism’ (Konopacka, 2015:5). It is also interesting to note that the founder of DOMEX is aware of his paternalistic nature and possibly even its modified form as enlightened paternalism. Furthermore, it was found in this particular case that although the founder was rather paternalistic in approach, external consultants were employed as mentors to the future successors (Devins-Marran, 2015). This does not mean that the paternalistic behaviour was simply outsourced as external staff are less likely to adopt a paternalistic style, but that the paternalism was marginalised to some extent and it may well be the case that the negative effects of paternalism may also have been lessened as a result.

If we now consider the adoption of paternalism in relation to the familiness of family firms, then we have a number of supportive (driving) and limiting (restraining) forces for this adoption: Firstly, two of the driving forces for the adoption of paternalism centre upon the context of our study. It was found in the literature that there is a strong preference for paternalism amongst employees in central Europe. This was especially found to be the case in collectivist national and organisational cultures. The uncertainty and instability that have emerged since the financial crisis are seen in the literature (Bakacsi and Heidrich, 2011) as driving employees in search of leadership forms that encapsulate certainty, namely the autocratic and paternalistic forms of leadership. Therefore within the context of central



Europe and the current recession, there are drives towards paternalism. The clan-like nature of family firms and the security provided by them was highlighted in the comment by family successors in the cases of WAMECH (Konopacka, 2015b) and FEIN Wein (Gubányi, 2015):

*“Paul recalls that as a child the sons saw the company staff as ‘part of the family’, with their father being head of the family and their mother being the ‘mother hen’ who **looked after** all the staff.” (Wamech)*

*“She **feels less threats** toward dismissal, she does not become lax, she can use time effectively and decide, communicate rapid”. (FEIN Wein)*

According to the literature there is an argument that negates the darker side of paternalistic leadership and this is the emergence of enlightened paternalism. This type of paternalism was also found in the case studies when the principal manager of the DOMEX (Konopacka, 2015a) referred to his management style as ‘enlightened paternalism’. The negation of restraining forces in the adoption of a paternalistic style represents a strong driving force towards paternalism, if we consider solely this type.

The paternalistic style results in benefits that may be considered as driving forces such as mentoring and guiding family members, and the enforcement of ‘familiness’ through the passing on of the family owner’s values and judgements to the children. The conscious education and training of a successor, regardless of whether they are family- or non-family member was found in the cases (Gubányi, 2015; Kiss, 2015) as well as the encouragement of a formal education for gaining a wide international perspective, as with FEIN Winery (Gubányi, 2015) and also in-company integration throughout the years as in the case of QUALITY MEAT (Szentesi, 2015).

The ideological factors of protection and guardianship, traditions and ownership are also emphasised. The owner may also consider it a driving force that this style enables him or her to maintain control over employees as well as the family wealth. The passing on of family values was found to be heavily emphasised in the case of DOMEX (Konopacka, 2015a):

*“The doyen has taught his daughters the principles and **values passed** onto him by his mother, as he believes that they have been the key to his success. His goal is to instil the ‘**entrepreneurial gene**’ in his children, which will smooth the succession process and assure efficient company operations after he leaves. ... The doyen’s daughters **respect their parents’ values**. Bringing up the children, the parents always emphasized such principles as honesty, empathy and positive attitude towards other people.”*

If we now consider the restraining forces against the adoption of paternalism in family firms in Central Europe then we are faced with a number of causes of reducing familiness in family firms. Firstly, the paternalistic style may lead to resistance and resentment by family successors. This is a self-defeating aspect of the paternalistic style since it was found in the literature to have been adopted as a means of promoting familiness as found in our list of driving forces. However our cases seem to indicate that the conflict, resistance and resentment associated with a paternalistic style are not automatic responses and a lot depends on the culture of the firm. In the case of PLANTEX (Paszowska, 2015) we can see that even generational differences appear to have been handled in a sensitive and concordant way:

*“It happens the members of the young generation go with the problems to Antoni or Marta who try to solve them without anybody losing their face. **Harmony** is one of the most **important values** for Plantex family firm.”*

The scope for conflict and resistance due to a paternalistic style has also been reduced in other firms. In the following example from PILLAR in Poland (Gorowski, 2015), it seems that the

family successors are given a certain degree of autonomy and respect, which seems indicative of a more enlightened form of paternalism:

*“Management model, where each of the sons is responsible for his departments, and father acts as an **arbitrator** and advisor, especially during frequent meetings and deliberations. Father and each of two sons have the **right to block strategic decisions**, but such situations are very rare.”*

The father of the firm appears to have the desire to alleviate the conflict and tension in the firm rather than be the cause of it, as he acts as an arbitrator and has given equal authority to his two successor sons to block his decisions (and each other's), if necessary.

The anchoring of familiness found with owners adopting a paternalistic style also was found in the literature to potentially result in family inertia, i.e. organisational rigidity and a lack of responsiveness to external factors and an overdependence between family members. This can be seen in this comment by QUALITY MEAT (Szentesi, I., 2015):

*“The emotional attachment of family members to one another **can affect the efficiency of work, and consequently, the performance of the firm.**”*

Another restraining force against the adoption of paternalism is that it is not a long term choice i.e. it is not sustainable. The literature indicated that after each generation of succession the paternalism decreases in family firms, likewise when external managers are chosen then these external managers are unable to adopt a paternalistic style. Furthermore, successors are likely to have a different mind-set even if they are the children of the founder. All of these factors highlight the unsustainability of a paternalistic style in family firms in the long term. We see the adoption of a different mind-set by family successors in the case of Witek (Konopacka, 2015c):

*“Each member of the family has developed his or her **own style** of business management. Karolina's son has travelled a lot and had periods working abroad. This gave him the opportunity to learn **new management methods**, which he now uses successfully in running his business.”*

However, if we look at the cases in relation to external managers being less likely to adopt a paternalistic style, it seems that the familiness of the culture and the values thereby related to familiness, are passed on to newcomers as found in the case of PLANTEX (Paszowska, 2015):

*“The ‘newcomers’ – daughters’ new husbands at the beginning complained that the firm was too dominant element of the family life, but with time they adapted to such family culture. There more involved they become in the family company activities, the more obvious such lifestyle was for them.”*

It is interesting to note in this case that the newcomers were initially against the familiness of the firm but adapted over time. Further research would be needed to discover if values relating to paternalism are also passed on within this family culture, but certainly this case casts doubt on whether external managers are truly unable to adopt a paternalistic style, if we were to consider cases where the owner has spent considerable time mentoring the manager and reinforcing the values and approaches associated with paternalism.

When we consider the restraining and driving forces for the adoption of paternalism in family firms, there is one particular force that is hard to distinguish based upon our findings. According to the literature a negative aspect of paternalism can be the loss of focus on profit in favour of other aspects such as succession and protecting family wealth. However, the cases seem to indicate that a focus away from profit may not necessarily be a bad thing as can be seen in the following quote from the case of Wamech (Konopacka, 2015b):

“As with many family businesses, as the company grew the Woods tended to employ friends and family members to the payroll - **most especially those in need** (for example employing friends who had been made redundant or their son’s wife etc.)”

It seems that the employment of friends that have fallen on hard times might not be entirely profit focussed. If we consider the triple helix of profit, people and planet then perhaps it could be argued that the adoption of the triple helix or looking beyond simply profit is another example of enlightened paternalism. Further research into this area of what constitutes enlightened paternalism would shed light on this concept and its implications for family firms.

### 3. Conclusions, limitations and future research

Our paper reviews paternalism in family firms in Central Europe in the hope of shedding further light on these two elements found in family firms. We reviewed existing literature on these two elements and then considered the findings of the INSIST project in this light.

We found a long list of restraining forces for family firms in this region adopting a paternalistic approach, but the list of drives for adoption is even longer. This appears to be due to the range of paternalistic types that was found in the literature and cases. The findings from the INSIST cases developed this line of thought further as we found that enlightened paternalism exhibited in the family firms in examples such as: an owner stepping back into an arbitrary role and leaving successors to make decisions autonomously; reinforcement of values encouraging harmony and approachability; and successors taking on new management methods. Further research is needed into this area, as enlightened paternalism may well be the way that owners of family firms simultaneously accept paternalistic leadership as the most suitable approach for family firms, and yet search for ways to adapt paternalism in order to overstep the hurdles associated with adopting a paternalistic style.

There are a number of limitations in this study which bear consideration. Firstly, the sample was small for this qualitative study but further cases may shed light on certain apparent contradictions between the literature and the cases studied. Furthermore, there is a methodological limitation in that the interviewees, as owners, had been given time to prepare their answers and appear to give a somewhat rose-tinted view.

Despite the limitations of this study, paternalism has been found in its varying forms in the INSIST cases. Further research may examine whether enlightened paternalism is the result of a natural evolution (survival of the ‘fittest leadership style’) or is the new paradigm of leadership style in family firms in Central Europe that all paternalistic leaders are searching for.

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## Appendix

**DOMEX (PL)** (Konopacka, 2015a): The founder, Tomasz inherited two factory buildings and started to run his own enterprise in them in 1989. The company rents apartments, office and commercial space and operates as a developer. Currently the company employs 20 people. They are administrative employees and maintenance team workers. They are all employed with full time contracts. The company helps them gain new qualifications through training and conference participation. The wife and daughters of the doyen are company shareholders, but he also remains a shareholder. His aim is to introduce his family members to running the business so that when he decides to leave the company, they will know how the company works and what projects and issues are of key importance to company success. Aside from her involvement in the company, the doyen's wife has her own business venture – a small bookshop. His older daughter completed a variety of studies and worked for a time at the university, but later opted to join the company. She runs the branch concerned with letting apartments. His younger daughter runs a restaurant located in the company building. She established the restaurant herself and works to develop it further.

**WAMECH (PL)** (Konopacka, 2015b): Prior to establishing the WAMECH Company, Piotr Wąsik worked as a designer in the Centre for Research and Development for Construction of Chemical Installations in Cracow and later, as an engineer in the Tobacco Factory in Cracow. He then moved to the private sector, joining a private developer, where he was responsible for financial issues, customer care, cost calculations and project implementation. The experience he gained prepared him thoroughly for running his own business. The WAMECH Company was founded in 1989. The company manufactures machines which improve the economics of production processes in accordance with lean manufacturing principles. The main focus of operations is on the design and production of road transport vehicles and industrial trucks used for materials handling. From the very start, the company has operated as a family firm. Piotr's father-in-law is the engineer Józef Kielar, who helped construct the first prototypes. At the beginning, the business was based on Piotr's own work and that of family members. It took quite a while to establish a design team. Piotr's wife, also an engineer, joined the company to look after the company's finances and to support her husband. Piotr and his wife have three children and have always dreamt that one day their children would take over the company. The owner started preparations for the succession process some time ago, but the process had to be speeded up due to his illness. In 2010, his son, Wojciech, became the managing director just as the company celebrated 20 years of operation.

**WITEK Centre (PL)** (Konopacka, 2015c): During Poland's economic transformation, which began in 1990, Karolina and her husband started a trading business. They started with a small shop (20 m<sup>2</sup>) in the centre of Krakow, in which they sold china and glass crockery. As time went on, they managed to utilize another part of Karolina's parents' property, which extended their business activity. Growing demand for what they were selling encouraged them to rent more and more retail space and their company continued to grow. The last stage of business development involved building a modern retail centre in the vicinity of Krakow, which continues to be expanded and developed. The company is active in the retail sector, selling furniture. Company assets were divided between Karolina and her children at an early stage. Today, each of them runs his or her own business independently, as separate legal entities.

**Pillar (PL)** (Gorowski, 2015): The PILLAR company was set up in the Eighties in Krakow, Poland, as a micro-business offering small refurbishing and construction services. Martin and Helena founded the business at the age of 35. At first the company based its existence on the housing deficits on the Polish construction market, but in the Nineties its profile changed into a 'classic'

developing business: they bought land and built apartments and commercial premises for sale, mainly in Krakow. At present the company employs 70 people. They are highly qualified specialists, who have been with the company for many years. The owners have two sons working at the firm and the company will be inherited by them.

**Plantex (PL)** (Paszowska, 2015): Plantex Horticulture Farm has been on the market since 1981, and since its beginning it has been dealing with innovative plant propagation. The company offers high quality products: young, healthy plants for further cultivation in nurseries and on plantations. At present the farm employs 81 people on a regular, full-time basis, and sells around 4 m cultivars per year with 1.5 ha in City outskirts and 3.5 ha in a village. The city plant hosts administration buildings (150 m<sup>2</sup>), laboratory warehouses (300m<sup>2</sup>) and 1,500 m<sup>2</sup> of glasshouses. The village premises comprises a 1,200 m<sup>2</sup> production hall and 7,500 m<sup>2</sup> of land under foil. The founders have three daughters. The two elder ones have their own businesses and the youngest one is about to take over the business with her husband.

**Quality Meat (HU)** (Szentesi, I., 2015): After having become unemployed due to the dissolution of the Farmers' Co-op, the two owners Károly Kovács and his wife decided to buy an old slaughterhouse and meat processing plant from their savings in 1992. The company started to grow and in 2004 a new and modern slaughterhouse was built and the meat processing unit was also revamped. The company's main line of business is meat processing and preservation. Every day an average of 100 to 130 pigs are slaughtered and processed depending on seasonality. The total capacity of the slaughterhouse is 60,000 pigs per year. The couple have two sons who joined the business and gradually took over daily management. The founder only kept control over finances.

**FEIN Winery (HU)** (Gubányi, 2015): The winery was founded by Tamás FEIN, who worked as an economist, vintner, corporate leader, and bank account manager at that time. The FEIN couple decided to develop the wine cellar and press house in 1998. They bought 11 ha field and their estate was broadened to 21 ha in 2002. FEIN Winery was officially founded as Limited Liability Company in 2003. The FEIN family produces traditional, quality wines. The territory of the vineyard is 21 ha. The production results an average of 130 000 bottles per year with a wide range of red and white wines. The FEIN Winery's distribution channels are a wine company and its own sales channel. They operate ten shops in Budapest and five in other cities. Their own sales channel organizes wine tastings, dinners and an annual celebration. The founder and manager, Tamás and his wife, Zsófia, have two sons, the elder one is Károly, who will be the successor.

**BI-KA Logistics (HU)** (Kiss, 2015): After graduation, György Karmazin started his carrier at an agricultural trading company as a transport organizer in 1991. He realized that he had both the connections and the knowledge, and he could try to start a business in logistics on his own. Established in 1991, BI-KA Logistics was founded by György with the help of the parents-in-law. The small, family-owned, bootstrapping company has outgrown itself into one of the regional leaders in transport and logistics in the last 23 years. BI-KA Logistics provides domestic and international transport services and transportation, rail transportation, as well as transport of oversized, air, container, marine or dangerous goods, warehouse logistics services, full customs clearance, cargo insurance and consultancy in logistics. The business is exclusively business-to-business in nature and serves its customers in 30 countries, mainly in the European markets. Closing the 2013's business year with a turnover of 16 million EUR, which means a 20.7% growth compared to the previous business year, in 2014, they could increase the turnover by 12%, even if their main partner remarkably cut orders. [