

ETHICAL LEADERSHIP IN FAMILY BUSINESS IN THE AGE OF DIGITAL TRANSFORMATION

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Abstract

Family firms have long been a mainstay of the world economy because of their distinctive combination of custom, long-term vision, and close-knit ownership structures. But these well-established businesses face a difficult battle from the digital revolution. In order to be competitive, family companies need to embrace digital transformation as technology redefines customer behaviour and changes entire industries. The ethical leadership required for this transformation journey must strike a balance between the demands of a fast evolving digital landscape and the family's core values. Families-run enterprises, the foundation of many economies, are at a crossroads. The digital era, characterized by swift technical progress and changing customer needs, demands a change to guarantee their sustained prosperity. Family-owned businesses have particular difficulties as a result of this shift since they have to balance their enduring traditions and values with the needs of the digital age. It becomes clear that ethical leadership is essential for negotiating this challenging environment. It investigates the complex interrelationships among family companies, digital revolution, and ethical leadership. Family businesses, with its unique fusion of agility and tradition, find themselves at a turning point in the digital age. This shift calls for a fresh emphasis on ethical leadership and offers both opportunities and challenges. We look at how ethical decision-making in the digital sphere might be guided by fundamental family business principles. This entails dealing with concerns including cybersecurity, algorithmic bias, and data privacy. The study goes on to discuss tactics for guaranteeing accountability among all parties involved, encouraging openness, and cultivating an ethical culture within the family business. Family businesses may secure long-term sustainability, bolster their competitive advantage, and cultivate trust with clients and staff by employing ethical leadership in the digital era.

Keywords: Family Business Management, Ethical Leadership, Family Business, Ethics, Digital Transformation, etc

INTRODUCTION

Accountability and transparency are promoted by ethical leadership, both among internal and external stakeholders. This is essential for negotiating the digital world's ethical minefields of algorithmic prejudice, data privacy, and cybersecurity. A breach of morality can undermine consumer confidence, harming the company's reputation and imperilling family history.

Family relationships and business decisions present a special strain for family enterprises. A framework for fair decision-making is provided by ethical leadership, guaranteeing that family interests and the long-term viability of the company are in line.

Upholding fundamental values and promoting innovation are the goals of ethical leadership. This gives family-run businesses the ability to adopt new technology without sacrificing their moral standards. Success requires upskilling staff and encouraging moral decision-making at all levels.

Family companies have a major impact on community development, employment, and creativity. Comprehending their ethical digital age navigation can have a profound effect on businesses and civilizations.

There is not much research on the relationship between digital transformation and ethical leadership in family firms. Insights and best practices from research can help family leaders succeed in the digital age while upholding their moral principles.

In the digital age, we can support family companies in thriving by placing a high priority on ethical leadership. This guarantees their legacies and the beneficial social influence they generate for future generations.

A major obstacle for family businesses, which are essential to the global economy, is managing the digital revolution while maintaining their moral principles. While the digital age presents many opportunities, it also brings with it ethical minefields, such as worries about data privacy, algorithmic bias, and the possibility of labour abuse. Understanding how ethical leadership may close the gap between traditional family company values and the demands of the digital world is the central study challenge. This is the main problem. The foundation of a family business's reputation is trust. Research on ethical leadership can help family businesses embrace the digital age while preserving their good name and long-term profitability by tackling these issues and providing them with the skills and tactics they need.

OBJECTIVES OF THE STUDY

1. To **examine** the ethical difficulties of digital transformation for family enterprises
2. To **analyse** how these issues are handled by ethical leadership practices
3. To **assess** the effect of ethical leadership on the achievement of successful digital transformation
4. To **provide** guidelines for ethical leadership in family businesses digital transformation

METHODOLOGY

Mean: This refers to the average response to a survey question or the average amount of time needed to finish a training session. It gives an overall impression of the data's central tendency.

Median: If the data are sorted from lowest to highest, this would be the midpoint number. Compared to the mean, it may be less vulnerable to outliers

Mode: This is the most typical time taken to finish the training or the most frequent score on a survey question.

Standard Deviation: The standard deviation quantifies the degree to which the data points deviate from the mean. A low standard deviation implies that the data points are clustered close to the mean, whereas a large standard deviation shows a wider range of responses or timeframes.

Correlation: This would quantify how two numerical variables are related to one another. One might compute the correlation coefficient, for instance, between the quantity of complaints pertaining to ethics and the perception of ethical leadership

A positive correlation could imply that there is a relationship between high risk and high impact of digital transformation on ethical leadership.

Variance: This is the standard deviation squared, which shows how different the data points are from the mean.

P-Value using T-test: Assuming there is no true difference between the groups being compared, the p-value associated with a t-test indicates the likelihood of receiving a result that is at least as extreme as the one observed.

REVIEW OF LITERATURE

Pattanayak et al., (2020) studied unofficial conversations with the Godrejites and secondary public materials. The many components and prominence of real, moral, and VBL styles are examined. These principles will be crucial in the post-COVID-19 era. As the COVID-19 situation develops, a value-based leader instils a straightforward, sincere, compassionate, and uncomplicated approach to employer-employee communication. Therefore, anyone utilizing or considering a value-based approach to creating a strong leadership culture will find this instance to be valuable. Ano and Bent, (2021) showed that the thematic analysis that identifies five key cultural and psychological factors that have the potential to work in concert when implementing a digital strategy. These factors include the family owners' primary focus on their employees, the change management fostered by long-term sustainability, the emotional attachment to the company, the influence of the entrepreneurial legacy, and the individualized involvement of individual family members.

Khaw et al, (2022) analysed twenty years' worth of research on digital leadership and how it affects long-term performance. The results help leaders comprehend the trend in leadership and create effective leadership strategies to meet upcoming obstacles to long-term success. Five major issues emerged from this review: leadership styles, leadership metrics, excellent leadership antecedents and results, and gaps in the literature. From the five main themes, ten further sub-themes were developed. Sanchez-Famoso, V., Maseda, A., Iturralde, T., & Alayo, M., (2023) evaluated a model that combines internal social capital, company performance, and ethical leadership across several generations in small- and medium-sized family businesses.

This research demonstrates that ethical leadership can explain the efficacy of particular actions in relation to family firm performance by utilizing the upper echelons theory and the social capital perspective of familial relationships. Additionally, social capital promotes a leader's business principles among team members, enhancing the performance of the family business. Our findings demonstrate that high internal social capital is determined by the personalities and identities of the founders and diminishes across generations. The study also demonstrates the importance of internal social capital as a communication tool for moral leadership, helping the family's culture and values to be absorbed into the company.

Zapata-Cantu et al, (2023) showed that businesses must undergo significant change. Family businesses (FBs) are tackling complex challenges faster than non-family firms, as the epidemic has demonstrated. Due to their close proximity to the company's management and operations, as well as their extensive internal and external network, they have proven to be adaptable and versatile, demonstrating their ability to quickly respond to market demands through quick decision-making. The information that Facebooks possess, ingrained in their principles, decision-making process, and generational retention, necessitates strong and resilient management. The intricate and intergenerational nature of the interaction between Facebook management and family values sets them apart. These relationships show how individual values can affect processes of professionalization, succession planning, and innovation.

Mehrzad Saeedikiya et al, (2023) analysed integration of an external enabling viewpoint into the analysis of cognitions and entrepreneurial outcomes (in this case, innovation), this study advances the socio-cognitive theory of entrepreneurship. By tying the discussion about the socio-cognitive perspective of entrepreneurship which emphasizes

the role of cognitions in innovation—to the information systems (IS) discourse about the affordances and limitations of technology, it advances the digital technology perspective of entrepreneurship. This study incorporates a generational perspective and expands the use of the external facilitator framework to the post-entry stage of entrepreneurial activity.

Clinton et al, (2024) studied a number of case studies to distil practical lessons from remarkable resilience tales. Despite having distinct histories, all five of these Irish family businesses have similar approaches and strategic plans. Adversity can be overcome and even thrived upon by those who used transformative leadership, stuck to the family business legacy, adopted a corporate mindset, came up with creative solutions, or delved deeply and prioritized the time-tested principles of putting dependability and service first. Ireland needs to tackle issues including embracing digital transformation, moving toward a low-carbon economy, and absorbing external shocks like Brexit, Covid-19, and increased operating costs as a result of Russia's invasion of Ukraine as it looks to 2030 and beyond

Wunnam Basit Issah and Calabro, (2024) investigated the performance implications of business information technology (IT) alignment in this paper. The hypothesis that business-IT alignment is linked to family firms' performance is empirically supported by this study, which makes use of a special survey-based dataset comprising 954 European family businesses.

Sabela Siaba and Rivera, (2024) analysed that over the past ten years, there has been a shift in the trends in family business research, with "entrepreneurship and innovation" emerging as the most studied subject. This study addresses the current deficiency of micro-research on family business studies and refreshes understanding on how these studies have developed. This study opens the door for more academic research in this field by emphasizing the significance of micro-level factors and understudied regions. Researchers and scholars in this field will find value in the insights offered in this article as they carry out their own investigations and add to the expanding body of knowledge in this domain.

EMPIRICAL LITERATURE

Rahatullah, M. K. et al, (2024) analysed twelve family-run companies that took part in the qualitative study. Employees of these companies were interviewed in order to investigate the moral dynamics within their company. The exploration of the significance of ethics in certain settings makes the work a major contribution to the field. It looks at how these businesses create an ethical culture, highlighting the obstacles, problems, and role of religion in fostering a sustainable ethical culture. For family-owned firms to effectively establish and implement ethical policies and procedures, institutional and structural mechanisms are necessary.

Panita Sastrawaha et al, (2024) determined whether the ethical and transformational leadership techniques that are now in use are still applicable in the VUCA world. It also aimed to develop a conceptual model of the variables that influence ethical transformational leadership and the sustainability of businesses. To explain the dyadic relationship between ethics and leadership in sustaining corporate resilience, a literature study of research in Western ethical theories, Thai ethical leadership principles, and leadership conceptions was used as the basis for the deductive approach.

He, Qiuqin et al., (2024) examined how the CEO source influences the digital transformation of the enterprise and how the CEO's ability and the family's willingness affect the decision-making boundary conditions using the Chinese A-share listed family enterprises on the Shanghai and Shenzhen stock markets from 2008 to 2020 as a sample. The study's conclusions indicate that family CEOs are better suited to encourage the digital transformation of their companies. The human capital acquired through formal education or job experience, whether it be general or firm-

specific, all play a favourable moderating role in the relationship between family CEOs and the decisions made by firms regarding digital transformation.

Statement of the Research Problem

A major obstacle for family businesses, which are essential to the global economy, is managing the digital revolution while maintaining their moral principles. While the digital age presents many opportunities, it also brings with it ethical minefields, such as worries about data privacy, algorithmic bias, and the possibility of labour abuse.

Understanding how ethical leadership may close the gap between traditional family company values and the demands of the digital world is the central study challenge. This is the main problem. Family interests, ingrained customs, and professional ethics are three potentially competing concerns that family companies must balance. In the digital era, is it possible for ethical leadership to offer a framework for making moral decisions? The digital revolution raises new moral questions. How can family-run businesses use moral leadership to safeguard employee wellbeing in the face of automation, advance algorithmic justice, and guarantee data security? The foundation of a family business's reputation is trust. In the digital sphere, can moral leadership approaches strengthen connections with stakeholders and customers by promoting responsibility and transparency?

By tackling these research matters, we can develop ethical leadership strategies that enable family businesses to prosper in the digital era, guaranteeing their long-term prosperity and upholding their reputation for honesty and integrity. The goal of this research is to give family business owners the resources they need to ensure the ethical and sustainable growth of their companies. Research on ethical leadership can help family businesses embrace the digital age while preserving their good name and long-term profitability by tackling these issues and providing them with the skills and tactics they need.

DATA INTERPRETATION

Responses	Low impact				High Impact	Grand Total
Low Risk	1	4	25	34	13	77
High Risk	3	10	22	36	6	77

Values	Mean	Median	Mode	Variance	S.D	Correlation
Impact	3.705	4	4	0.7301	0.8544	0.4291
Risk	3.423	4	4	0.8966	0.9468	0.4291

- P Value > 0.05 Accept H0
- 0.053 > 0.05

HO is accepted and there is no significant relationship between impact of digital transformations and risk of increasing integration of technology on ethical leadership in family business.

The correlation co-efficient r of 0.4291 indicates a moderate positive correlation. Therefore there exists a moderate relationship between impact of digital transformations and risk of increasing integration of technology on ethical leadership in family business.

Leadership:

49.4% of the respondents follow a paternalistic leadership approach in their family business, 40.3% of the respondents follow a professional management approach, and 32.5% of the respondents follow a stewardship leadership approach. Since the maximum number of respondents are students, hence it is quite evident that their families follow a paternalistic leadership approach in their family business.

Success factor:

54.5% of the respondents measure success of their family business through enhanced consumer contentment or brand image, 49.4% through utilisation of new digital technology successfully and greater income or market share. 39% through realisation of particular digital transformation related business objective.

Challenges:

48.1% of the respondents face a challenge of transparency and communication, 46.8% face a challenge of succession planning, 42.9% through potential of conflicts, 40.3% through concentrated ownership and 37.7% through rapid innovation. Signifying that clear communication and being transparent plays a pivotal role in the success of family business.

Impact:

44.2% of the respondents state that there a high impact of digital transformations on ethical decision making within family business whereas 1.3% of the respondents signify that there is low impact. Maximum number of respondents state that there is a significant impact of digital transformations on ethical decision making within their family businesses.

Perceval of Risk due to Integration:

46.8% of the respondents perceive high risk and 3.9% of the respondents perceive that there is low risk. With the increasing integration of technology such as AI, Chatbots, etc there is a high risk of cybersecurity and data privacy, etc,

Risks Faced:

61% of the respondents face technological risks, 57.1% face operational risks, and 55.8% face financial risks.

Ethical Dilemma:

51.9% of the respondents face ethical dilemma through data privacy and security, 48.1% through environmental impact and 41.6% through automating jobs.

Success of Ethical Leadership:

58.4% believe that family business leaders should integrate ethics into performance reviews, 49.4% believe that leaders should empower employees to speak and reward ethical behaviour. Maximum number of respondents believe that by integrating ethics into performance reviews, the business leaders can effectively communicate and reinforce ethical

values in the digital age. Valuing Ethics and practicing Ethical Leaderships in the family business operations play a vital role in the success.

Contribution of Ethical Leadership to long term sustainability:

59.7% of the respondents support by stating that ethical leadership contributes to long term success and sustainability of family business through strengthening the family business values, 55.8% through promotion of sound decision making and 50.6% through building trust and reputation. In order for family businesses to sustain ethical leadership , that the family business leaders need to strengthen the family business values among its stakeholders and employees. Maximum number of respondents believe that ethical leadership contributes to long term success and sustainability of family business through strengthening family business values

Correlation Analysis:

Through hypothesis testing, there was no significant relationship between impact of digital transformations and risk of increasing integration of technology on ethical leadership in family business. Digital Transformation systems needs to be implemented in family businesses to foster ethical leadership.

Recommendations

The study focuses on the challenges, perceptions and practices about the ethical leadership practices in family business in the age of digital transformation. Many studies and researches happened to analyse the challenges, leadership practices in family businesses. Here, the study conducted by considering those works of literature, to address the issue of ethical leadership practices followed within family business. Further, this study throws light on the expectations about the ethical leadership practices in the minds of business-owners. This study also provides the direction on understanding the perception of ethical leadership practices followed by traditional family business organizations undergoing or have undergone a digital transformation. This study also provides a support for further analysis through qualitative analysis techniques such as case studies, empirical research, etc. Mixed methods and in-depth interview techniques can be used further to provide generalization of results to larger population.

CONCLUSIONS

Family businesses, well-known for their distinct cultures, long-term outlooks, and dedication to the community, are a vital component of the global economy. The digital revolution does, however, provide a difficult problem: how to welcome innovation while maintaining moral standards and conventional norms. This study looks into the opportunities, problems, and practices that family businesses are currently facing as they navigate the digital landscape. The results of the survey show an interesting picture of family business leadership styles. With an emphasis on direction and loyalty, nearly half of respondents (49.4%) described their leadership style as paternalistic. This implies a potentially hierarchical structure and a heavy emphasis on family values. But a sizable percentage (40.3%) also mentioned using a professional management style, demonstrating the rising recognition of the demand for efficiency and knowledge in the digital era. It's interesting to see that just 32.5% of leaders demonstrated stewardship leadership, which emphasizes moral behaviour and long-term sustainability.

The survey clarifies the definition of success in family-owned firms. The majority (54.5%) place a higher priority on brand image and customer happiness, indicating how important it is to foster loyalty and trust. Almost half (49.4%) place a high emphasis on financial growth and technological adoption, indicating that they are aware of the competitive environment. The survey lists the main difficulties that family companies confront. Transparency and communication

were cited by nearly half (48.1%) as a top concern. This emphasizes how crucial it is to have open lines of communication both within the family and with co-workers, particularly in a setting that is changing quickly. Another crucial issue that firms must deal with as they manage the transfer of leadership to future generations is succession planning (46.8%). These results highlight the necessity of cooperative decision-making and honest communication to guarantee a seamless transition.

Potential conflicts (42.9%), concentrated ownership (40.3%), and quick innovation (36.7%) were among the other difficulties. These problems highlight how difficult it is to strike a balance between upholding familial authority, encouraging teamwork, and adjusting to a changing business environment. The study explores how ethical decision-making is affected by the digital transformation. Just 1.3% believed that the impact was minimal, compared to a substantial majority (44.2%) who saw a great influence. This demonstrates how well acknowledged the ethical issues raised by AI and data analytics technology are. These worries are supported by the large percentage of respondents (46.8%) who saw a high danger, which brings to light potential problems including data privacy violations and cybersecurity breaches.

The most common worries were found to be technological risks (61%), operational risks (57.1%), and financial risks (55.8%), highlighting the complex issues that family companies in the digital age must deal with. Particular moral conundrums surfaced as major issues. More than half (51.9%) said that data security and privacy were important issues.

Although a large percentage of respondents believed that digital transformation had a substantial impact on ethical decision-making, the study admits that there was no statistically significant association between these factors according to hypothesis testing.

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