Essays on Family Firms:
The Paradox of Family Firms and Wealth Inequality

D I S S E R T A T I O N
of the University of St.Gallen,
School of Management,
Economics, Law, Social Sciences,
International Affairs and Computer Science,
to obtain the title of
Doctor of Philosophy in Management

submitted by

Luciana Lucena de Lima

from

Brazil

Approved on the application of

Prof. Dr. Martin Hilb

and

Prof. Dr. Maria José Parada Balderrama

Dissertation no. 5125

Difo-Druck GmbH, Untersiemau 2021

The University of St.Gallen, School of Management, Economics, Law, Social Sciences, International Affairs and Computer Science, hereby consents to the printing of the present dissertation, without hereby expressing any opinion on the views herein expressed.

St.Gallen, May 18, 2021

The President:

Prof. Dr. Bernhard Ehrenzeller

To Lara, Sofie and Oscar.

Acknowledgments

Writing a PhD can be a rather lonely endeavor. Luckily I was given many opportunities to share early ideas and test them on different audiences. Among these were St Gallen University, ESADE Business School, The Family Firm Institute, as well as participants at annual meetings of the EIASM 2019 and the FERC 2020.

Many thanks to my supervisor, Prof. Martin Hilb, who gave me all the autonomy I wanted, but stood ready whenever I needed advice on how to improve the dissertation's structure or its narrative. I was blessed with Maria Jose Parada as co-supervisor. She was my most critical reader, asked the most probing questions, and pushed me to bring my arguments to their logical conclusion. Most important, she reminded me time and again that there is life beyond a PhD. Muchas gracias!

I am dedicating this dissertation to my life partner Oscar. He supported my passion for this project and has been a caring companion though the entering process. He never complained that the PhD was stealing our time together, even though it did on the many occasions when we were together but my mind was away thinking about the thesis' papers, or when, in its final stages, it even stolen our weekends and evenings together.

I also dedicate this work to my loved daughters Lara and Sofie, my eternal lights.

St.Gallen, November 2020

Luciana Lucena de Lima

Table of Contents

Table of Contents **II**

List of Figures **V**

List of Tables **VI**

List of Abbreviations **VII**

Executive Summary **VIII**

Zusammenfassung **X**

1. Introduction **1**

1.1. Overarching Topic and Structure 1

1.2. Purpose and Research Questions 3

1.3. Methodological Preview and Positioning of Papers 6

1.4. Overview of Papers 9

References 10

2. The Family Business Paradox: How Family Business Groups Create Wealth and Wealth Inequality **14**

2.1. Abstract 14

2.2. Introduction 15

2.3. Wealth Creation and Inequality 17

2.4. Family Business Groups, *Familiness* and Wealth Creation 20

2.5. Family Business Groups and Wealth Inequality 26

2.5.1. Intergenerational Transmissions and Wealth Inequality 26

2.5.2. Usage of the Code of Law and Wealth Inequality 29

2.6. Family Business Groups as a Counterforce to Wealth Inequality 32

2.6.1. The Role of Family Firm Philanthropy to Reduce Wealth Inequality 34

2.6.2. The Role of Ethical Leadership to Reduce Wealth Inequality 35

2.7. Discussion 38

2.8. Implications for the Study of Wealth Inequality 40

2.9. Limitations and Future Research 41

2.10. Conclusion 42

References 43

3. Deciphering the Link Between Spiritual Capital and Ethical Leadership in Family Business Groups: The Case of Magazine Luiza S.A. in Brazil 52

3.1. Abstract 52

3.2. Introduction 52

3.3. Theoretical Background 56

3.3.1. Spirituality, Spiritual Capital, and Family Business 56

3.3.2. Ethical Leadership and Spiritual Capital 59

3.3.3. Antecedents of Spiritual Capital 61

3.3.4. Context of Study: Brazil 64

3.3.5. Case Description and Selection 65

3.4. Methodology 68

3.4.1. Interview and Data Collection 69

3.4.2. Data Analysis 71

3.5. Findings **73**

3.5.1. Deciphering Key Antecedents of Spiritual Capital 73

3.5.2. Expressions of Spiritual Capital Through Ethical Leadership 78

3.6. Discussion and Contribution 88

3.7. Limitation and Future Research 92

References 98

4. Untangling the Life Cycle of Authentic Family Business Philanthropy: The Development of Authentic Philanthropic Identities 106

4.1. Abstract 106

4.2. Introduction 106

4.3. Conceptual Background and Propositions Development 110

4.3.1. Elite Philanthropy and Authenticity 110

4.3.2. Intergenerational Transmissions of Family Stories and Generosity 112

4.3.3. Nuclear Episodes of Continuity and Transformation 116

4.3.4. Organizational Developmental Stages and Philanthropy 119

4.3.5. Identity Development and Philanthropy 120

4.4. Authentic Philanthropic Stages over the Life Cycle 122

4.5. Discussion and Implication for Future Research 126

4.6. Contribution to Theory and Practice 127

4.7. Limitations and future research 128

4.8. Conclusions 129

References 130

5. Concluding Chapter 137

5.1. Revisiting the key Findings of the Three Papers 137

5.2. Contribution to Theory and Practice 139

5.3. Limitations and Future Research 141

5.4. Conclusion 146

List of Figures

Figure 1: Positioning of Papers 8

Figure 2: The paradoxical role of family business groups 18

Figure 3: Board composition of publicity-traded firm and family-controlled businesses 25

Figure 4: Intergenerational transfers and the creation of wealth in FBGs 29

Figure 5: Antecedents and outcomes of spiritual capital 92

Figure 6: Data coding for antecedents of ethical leadership dimensions 96

Figure 7: Data coding for antecedents of spiritual capital 97

Figure 8: Authentic Philanthropic Identities Model 122

Figure 9: Typology of authentic philanthropic identities over the life cycle 124

List of Tables

Table 1: Summary of the dissertation 9

Table 2: *Familiness*: tangible and intangible resources 22

Table 3: Ethical leadership dimensions 60

Table 4: Universal spiritual values and their association with ethical dimensions 63

Table 5: List of interviewees 71

Table 6: Employees benefits at Magazine Luiza S.A. 87

Table 7: Definitions of spiritual capital 95

Table 8: Philanthropic identities in the life-cycle development of family firms 126

List of Abbreviations

CEO	chief executive officer
Ed.	editor
Eds.	Editors
FBGs	Family business groups
e.g.	exempli gratia (for example)
et al.	et alii/aliae/alia (and others)
etc.	et cetera
GDP	gross domestic product
i.e.	id est (in other words; that is)
N	number of abbreviations
p.	page
pp.	pages

Executive Summary

This dissertation investigates three specific aspects of family firms, especially family business groups, with regard to wealth inequality. Each of the three papers that are part of this dissertation addresses a specific perspective for how family firms may, on the one hand entrench existing gaps in wealth and opportunities and, on the other hand be a powerful antidote to ameliorate global inequalities and increase social mobility.

The first paper contends that family business groups deserve special examination because they create and control vast amounts of private wealth that are passed through inheritance to future generations. Despite their economic importance little has been done to investigate to what extent family business groups contribute to wealth inequality. This study offers an economic and legal perspective of the topic and shows that family business groups reify existing power structures that sustain wealth concentration. This article shows that intergenerational transfer *(capital and non-capital)* and the use of the code of law are powerful mechanisms that help to explain why family business groups reinforce existing inequality that persists over time. However, this paper also shows that family business groups can increase the distribution of wealth through philanthropy and ethical business practices that can dismantle class hierarchies and create opportunities for disadvantageous groups. Thus, this article concludes that family business groups play a paradoxical role. They create wealth inequality due to their societal and economic power but they can also create opportunities for upward social mobility for unprivileged communities.

The second paper engages in an interpretative, qualitative analysis of the experience of Magazine Luiza S.A., a publicly traded multigenerational family business in Brazil that has integrated spiritual values in its organization. Drawing upon spiritual capital and ethical leadership literature, the findings of this paper suggest that an owning family's spiritual

capital influences a leader's expressions of ethical orientations, which, in turn, lead to more favorable business practices towards employees, such as equal working opportunities, inclusion of less privileged groups in the workplace, and an enhanced welfare scheme to employees. The paper also highlights antecedents that facilitate the occurrence of spiritual capital in the context of family firms and offer insights into the role of spiritual values in ethical leadership.

The third paper looks at how family owners can increase the distribution of wealth at the family level. Philanthropic motivations of elite philanthropy have recently been highly criticized, considered to be a selfish and highly disconnected exercise from the public benefit, an activity driven rather by personal and economic benefits of the donors. In the face of raising social inequalities, the quest for authenticity in charitable giving is important in the broader debate about wealth distribution. This paper proposes a conceptual model to the attaining of authentic philanthropic identities over the lifetime of family businesses systems that can signal important information in regards to one's psychological and financial capacity to engage in authentic philanthropy. This paper contributes to the growing academic field in which philanthropy intersects with family firms.

Overall, this dissertation provides valuable contributions to the understanding of how family firms, especially large family groups, implicate concerns regarding the entrenching of existing inequalities in wealth and opportunities while, at the same time, they can increase the provision of net social benefits that increase the distribution of wealth, creating opportunities for social mobility of marginalized groups. This thesis shows that family firms therefore can contribute to the effort to build and sustain a more equal society.

Zusammenfassung

Diese Dissertation untersucht drei spezifische Aspekte von Familienunternehmen, besonders Family Business Groups, hinsichtlich Vermögensungleichheit. Jede Arbeit befasst sich mit einer spezifischen Sichtweise darauf, wie Familienunternehmen einerseits bereits existierende Kluften bezüglich Vermögen und Gelegenheiten verstärken können und andererseits ein machtvolles Gegenmittel sein können, um globale Ungleichheiten zu verbessern und soziale Mobilität zu erhöhen.

Die erste Arbeit argumentiert, dass Family Business Groups besondere Untersuchung verdienen, da sie Unmengen an privatem Vermögen kreieren und kontrollieren, welches durch Vererbung an zukünftige Generationen weitergegeben wird. Trotz ihrer wirtschaftlichen Bedeutung wurde wenig getan um zu untersuchen, in welchem Ausmass Family Business Groups zur Vermögensungleich- heit beitragen. Diese Studie bietet eine wissenschaftliche und rechtliche Sichtweise auf diese Thematik und zeigt auf, dass Family Business Groups existierende Machtstrukturen konkretisieren, welche die Ansammlung von Vermögen aufrechterhalten. Dieser Artikel zeigt, dass der generationsübergreifende Transfer von immateriellen Vermögenswerten (Kapital und Nicht- Kapital) und die Verwendung des Gesetzbuches machtvolle Mechanismen sind, welche helfen zu erklären, warum Family Business Groups existierende und anhaltende Ungleichheit verstärken. Diese Arbeit zeigt aber auch auf, dass Family Business Groups die Verteilung von Vermögen durch Philanthropie und ethische Geschäftspraktiken erhöhen können, welche Klassenhierarchien abbauen und Möglichkeiten für benachteiligte Gruppen schaffen können. Folglich schliesst dieser Artikel daraus, dass Family Business Groups eine paradoxe Rolle im Erschaffen und Verbessern von sozialen Ungleichheiten spielen.

Die zweite Arbeit befasst sich mit einer interpretativen und qualitativen Analyse der Erfahrung von Magazine Luiza S.A., ein börsennotiertes Mehrgenerationen-Familienunternehmen in Brasilien, das spirituelle Werte in seine Organisation integriert hat.

Während sich diese Arbeit auf Literatur zu spirituellem Kapital und ethischer Führung stützt, legen die Ergebnisse nahe, dass das spirituelle Kapital einer Besitzerfamilie die ethische Denk- und Ausdrucksweise eines Vorsitzenden beeinflusst, was wiederum zu mehr positiven Geschäftspraktiken gegenüber den Angestellten führt, wie etwa Chancengleichheit bei der Arbeit, die Einbeziehung weniger privilegierter Gruppen am Arbeitsplatz und optimierte Vorsorgepläne für die Angestellten. Die Arbeit hebt auch Voraussetzungen hervor, welche das Vorhandensein von spirituellem Kapital im Zusammenhang mit Familienunternehmen erleichtern und Einblicke in die Rolle spiritueller Werte für ethische Führung bieten.

Die dritte Arbeit beschäftigt sich damit, wie Familienbesitzer die Verteilung von Vermögen auf Familienebene erhöhen können. In letzter Zeit wurden philanthropische Beweggründe von elitären Philanthropen stark kritisiert, sie werden als eine egoistische und höchst separierte Aktion zur Gemeinnützigkeit angesehen und als eine Aktivität, die eher von persönlichen und wirtschaftlichen Vorteilen des Spenders angetrieben wird. Im Angesicht der steigendende sozialen Ungleichheiten ist das Streben nach Glaubwürdigkeit bei karitativen Spenden in der umfassenderen Debatte bezüglich Vermögensverteilung von Bedeutung. Diese Arbeit schlägt ein konzeptionelles Modell vor, um authentische philanthropische Identitäten zu erlangen, die sich über die Lebensdauer von Familienunternehmenssystemen erstrecken und bedeutende Informationen bezüglich der eigenen psychologischen und finanziellen Kapazität, sich an authentischem philanthropischem Spenden zu beteiligen,

signalisieren. Diese Arbeit trägt zu dem wachsenden akademischen Bereich bei, in welchem sich Philanthropie und Literatur zu Familienunternehmen überschneiden.

Im allgemeinen bietet diese Dissertation wertvolle Beiträge an das Verstehen dessen, wie Familienunternehmen, besonders grosse Familiengruppen, Bedenken bezüglich der Verstärkung von bereits existierender Ungleichheit in Vermögen und Gelegenheiten verursachen, während sie gleichzeitig die Bereitstellung von Netto-Sozialleistungen erhöhen können, welche wiederum die Verteilung von Vermögen erhöht und Gelegenheiten für die soziale Mobilität von marginalisierten Gruppen kreiert.

Diese Dissertation zeigt, dass Familienunternehmen folglich zu der Anstrengung beitragen können, eine gleichberechtigtere Gesellschaft aufzubauen und aufrechtzuerhalten.

1 Introduction

1.1 Overarching Topic and Structure

Family firms have a significant participation in the world economy (e.g., Anderson and Reeb 2003; Faccio and Lang, 2002; Porta et al., 1999; Neubauer and Lank, 1998) that implicates multiple stakeholders. They play an important role at creating wealth because they own and control a significant amount of assets. In the US, seventy-six percent of households in the wealthiest upper reaches own and actively manage a business (Carney and Nason, 2018).
While some scholars view family firms as levers that produce net social benefits to society (Means, 2016), in that they improve the quality of lives of their communities, others state that family firms only serve "their own dynastic interests" (Carney and Nason, 2018, p. 1193), accumulating wealth to pass to and through the next generations. Wealth inequality has taken the center of recent political and economic debate (e.g., Stiglitz, 2012; Wilkinson and Pickett, 2009; Piketty, 2000, 2014). It is a complex phenomenon that is directly associated with the creation and distribution of wealth – or the lack of it. Family firms make use of distinct mechanisms of wealth creation and accumulation that might implicate concerns about inequality.

The first paper of this cumulative dissertation offers a critical analysis for the paradoxical position in which family firms may find themselves. On the one hand, they create a vast amount of wealth not only through their business operations but also through the use of distinct mechanisms of law, such as the code of capital that helps to grow and perpetuate wealth. On the other hand, family firms entrench existing inequalities through intergenerational transmission of wealth, as Piketty (2000, p. 436) framed in the following:

"The most obvious channel explaining why inequality can persist across generations is the transmission of wealth from parents to children through inheritance".

Organizations, however, are not only the vector through which wealth is created, but also the course through which wealth is distributed (Scully et al., 2018). Therefore, family firms can similarly make use of distinct mechanisms to redistribute wealth outside the family, thus creating opportunities for the social mobility of marginalized groups. Accordingly, this dissertation also offers two mechanisms capable of producing effective actions towards wider wealth distribution in the context of family firms.

Accordingly, the second paper of this dissertation supports the proposition that expressions of ethical leadership towards employees may increase welfare not only to the employees but also to their families, and, thus, create pathways to ameliorate social inequality. A growing body of research shows that family firms are increasingly engaging in the provision of equality of opportunities, positioning themselves as drivers of inequality reduction (Campopiano and De Massis, 2015; Marques et al., 2014; Means, 2016). As such, this paper proposes that the way in which family firms treat employees (Samara and Arenas, 2017) with respect to wages, benefits, and gender equality shows an important dimension of organizational practices that "reflect business responsibility for some of the wider societal goods" (Matten and Moon, 2000, p. 405).

The third and final paper of this doctoral thesis takes a look at the family side of family firms, and proposes the development of authentic philanthropy identities of family members through the life-cycle of a family firm. Philanthropy broadly involves the giving of resources (i.e., time, money, effort, or knowledge) with a charitable purpose (Litz and Stewart, 2000). Based on Erikson's psychological development theory across the life cycle

(Erikson, 1950, 1968, 1997), this paper focuses on the construct of authentic philanthropic identity stages, defined as the philanthropic behavior of family-owners across the life-cycle, expressing a sustained behavior towards the redistribution of wealth outside the family.

In what follows, I introduce the purpose and the research gaps of this dissertation, as well as the methodological design and the main contributions of each study (table 1). The remainder of the dissertation consists of three research papers that emphasize the relationship between family firms, wealth creation, wealth distribution, and inequality. The final chapter concludes the dissertation with a discussion of its implications to theory and practice, its limitations, and proposes venues for future research.

1.2 Purpose and Research Questions

This dissertation incorporates wealth inequality into the research on family firms. Family business groups are a rich context for studying the creation and distribution of wealth, and this allows the creation of the outline of important implications for society. Thus, the purpose of this dissertation is twofold. First, it investigates different mechanisms of wealth creation employed by family business groups that may be entrenching inequality. Second, it proposes two remediating forms of wealth distribution outside the family that offer opportunities to tackle global inequalities in the context of family firms. On the family side, this dissertation proposes that family owners have the potential to develop authentic philanthropic identities to support uninterrupted wealth distribution outside the family, thus providing marginalized groups with real opportunities for social mobility. On the business side, this thesis supports the proposition that expressions of ethical leadership towards employees may increase the welfare not only of the employees but also of their families and, thus, create pathways to ameliorate social inequality. As such, the individual papers address specific research gaps in

the literature on the topic of creation and distribution of wealth in family firms and its effects on global inequality, as described hereafter.

The first paper aims to bring to the conversation the role that family businesses groups may play in creating wealth inequality, which is one of the most pervasive problems of our times (Piketty, 2000). Family business groups dominate many economies worldwide (Morck and Yeung, 2003) and, in many countries, they are largely "controlled by a few wealthy old families" (Morck and Yeung, 2003, p. 369). A large body of research on family business groups has mainly focused on understanding their structure and performance (e.g., Khanna and Rivkin, 2001; Almeida and Wolfenzon, 2006; Morck, 2009). However, research on the mechanisms employed by family business groups to create and preserve wealth over generations has received little attention from scholars. Particularly, studies on the wealth created by family business groups and how that wealth implicates concerns about wealth inequality has been overlooked, with a few exceptions provided by economic research (Piketty, 2000), legal research (Means, 2016), and family firm research (Carney and Nason, 2018). Organizational theory has also accessed what is unique of a given family business that arise from the involvement of the family in the business, *familiness* (Mühlebachs 2004*)*, which is, "the bundle of resources that are distinctive to a firm as a result of family involvement in the business" (Habbershon and Williams, 1999, p.1). These unique resources can also serve as a source of competitive advantage (Simon and Hitt, 2003; Hansson, 2015) and superior wealth creation for family firms (Rau, 2014). This paper aims, therefore, to shed light on the complex phenomena of wealth inequality and its impact on society, proposing the following question for discussion: Do family business groups play a role in entrenching wealth inequality?

Paper Two investigates a very specific aspect of wealth distribution on the business side of the family that may increase the welfare of employees: the organization's ethical behavior towards employees (Samara and Arenas, 2017), thus highlighting the importance of ethical leadership practices in the domains of work and broader society. Prior research indicates that spiritual values are related to ethical behavior; yet, what makes this association occur is still poorly understood. Most research on ethical leadership has been done outside the field of family firms and has focused its effects on firm's performance (e.g., 2017; Kim and Thapa, 2018; Eisenbeiss and van Knippenberg, 2015; Wu et al., 2014), employees' ethical behaviors (e.g., van Gils et al., 2015; Lee et al., 2015; Lu and Li, 2014; Mayer et al., 2009, 2010, 2013), employees' outcomes related to jobs and organizations (e.g., 2011, 2012; Bouckenooghe et al., 2014; Demirtas and Akdogan, 2014), leaders' outcomes (Rubin et al., 2010), and employees' life and family level satisfaction (Zhang and Tu, 2018; Liao et al., 2014; Yang, 2014). However, the spillover effect of ethical leadership on employees' welfare that is necessary to alleviate employees' burden to cover the 'essentials of life' has not yet been studied. This article aims to fill this gap by answering the following research questions: 1) How does spiritual capital emerge in the context of family firms? 2) How does spiritual capital influence expressions of ethical leadership behavior?

Paper Three of this cumulative thesis brings to the table a discussion about wealth distribution outside of the family. It proposes that family philanthropy can be a powerful mechanism of wealth redistribution. A growing body of research has emphasized the importance of family firm philanthropy, at the intersection of the family, the business, broader society (Campopiano et al., 2014; Litz and Stewart, 2000; Feliu and Botero, 2016), and its effects on reducing inequality (Means, 2016). However, little is known about the development of authentic philanthropic identities in the context of family firms. Existing

literature has proposed a typology of philanthropy identities of wealthy individuals (Maclean and Harvey, 2020). This study, however, argues that philanthropic identities are shaped through the engagement in the philanthropic field, giving limited insights in regard to the significance of accumulated life experiences or even the individual's evolutionary development stage that can contribute to the emergence of new identities. This paper addresses this gap by applying a psychological theory of human development (Erikson, 1950) and incorporating nuclear episodes (McAdams, 1988) into the conceptualization of authentic philanthropic identities in the context of family firms. The third paper thus asks the following research question: How can the psychological development of family business owners, together with the life-cycle of the family businesses, inform the emergence of authentic philanthropic identities over time?

1.3 Methodological Preview and Positioning of Papers

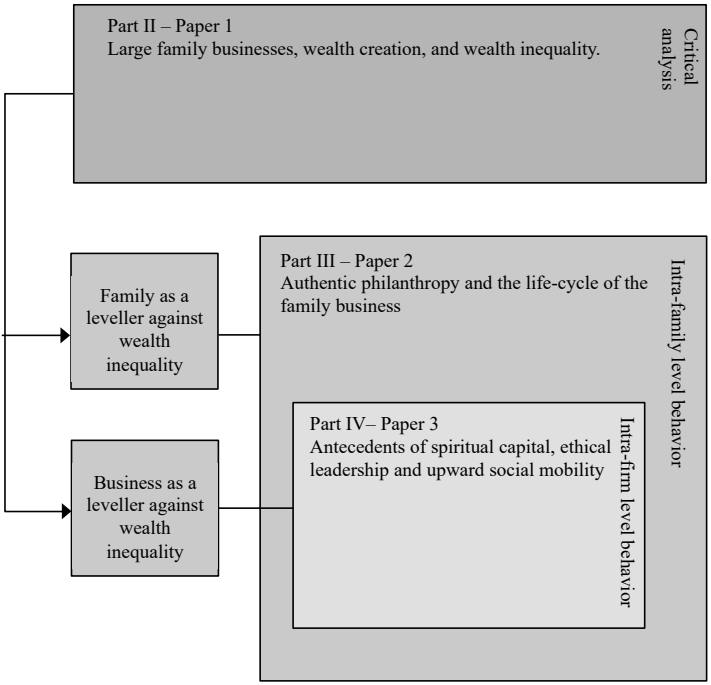
This dissertation consists of three papers that investigate different aspects of wealth inequality and family firms. The main emphasis of this dissertation is on conceptual and qualitative research (Dyer and Wilkins, 1991; Gioia et al., 2013; Langley, 1999; Yin, 2018). Figure 1 shows the theoretical and methodological localization, and the literature streams of each paper.

Paper One employs a critical approach to theorize about different perspectives of wealth inequality and family business. It is conceptual in nature and it relies on the resource-based theory of the firm. It outlines the unique characteristics of family firms to offer a critical analysis of how large business groups create wealth that, in turn, may also create inequality.

Paper Two applies a narrative qualitative research, based on a single case study (Yin, 1984) in Brazil of a publicly traded family firm to study how organizational practices may improve the welfare of employees and their families. In total, 14 semi-structured interviews were conducted with family managers and non-family employees to investigate four expressions of ethical leadership: humaneness, justice, responsibility, and moderation. The data were analyzed using qualitative content analysis.

Paper Three takes a conceptual approach and focuses on the relationships between the family business owner's development and the family business' life-cycle, and conceptualizes their relationship as an evolutionary staged process over the lifetime of the business. It focuses on the macro-levels, studying development stages and their influence on the development of authentic philanthropic identities. This paper theorizes how intergenerational transmissions of family stories and generosity in the form of prosocial behavior and empathy, along with nuclear events in the course of life, add to the development of authentic philanthropic identities.

Figure 1: Positioning of Papers



As the relationship between large family-controlled firms and inequality is a phenomenon not yet adequately theorized, this dissertation aims to uncover its nature and substantive mechanisms. According to the interdisciplinary nature of the phenomenon of wealth inequality, this dissertation is placed at the intersection of economic theory of persistent inequality, philanthropy, ethical leadership, and the field of family business research.

1.4 Overview of Papers

Table 1: Summary of the dissertation

Title of the paper	Contributions	Field of contribution	Target journal
Paper 1: The Family Business Paradox: How Family Business Groups Create Wealth and Wealth Inequality	1. Advancing the debate on the ambivalence nature of family business groups and its implications to wealth inequality 2. Outilining two mechanisms of wealth redistribution that family business groups can make use of to reduce societal inequalities	1. Family business research 2. Economic and law literatures at the intersection of wealth inequality	Academy of Management Journal *Preparing for submission*
Paper 2: Deciphering the Link Between Spiritual Capital and Ethical Leadership in Family Business Groups: The Case of Magazine Luiza S.A. in Brazil	1. Unfolding the antecedents of spiritual capital in the field of family firms 2. Highlighting the importance of ethical leadership practices to disrupt entrenched class hierarchies to promote upward social mobility	1. Ethical and strategic leadership 2. Human resource management in family firms	Journal of Business Ethics *Preparing for submission*
Paper 3: Untangling the Life Cycle of Authentic Family Business Philanthropy: A Source of Wealth Distribution	1. Presenting a conceptual model for the attaining of authentic philanthropic identities 2. Highlighting the implications of forged philanthropic identities of elite philanthropy	1. Philanthropy in family firms 2. Literature on elite philanthropy	Journal of Business Ethics *Preparing for submission*

References

Almeida, Heitor, & Daniel Wolfenzon. 2006. "Should Business Groups Be Dismantled? The Equilibrium Costs of Efficient Internal Capital Markets.

Anderson, R., Reeb, D. 2003 “Founding family ownership and firm performance Evidence from the S&P 500” Journal of Finance, 58 1301–1328.

Andres, C. (2008). Large shareholders and firm performance—An empirical examination of founding-family ownership. Journal of Corporate Finance, 14(4), 431–445.

Aldrich, H. E., & Cliff, J. E. (2003). The pervasive effects of family on entrepreneurship: toward a family embeddedness perspective. Journal of Business Venturing, 18(5), 573–596.

Bouckenooghe, D., Zafar, A., & Raja, U. (2014). How ethical leadership shapes employees’ job performance: The mediating roles of goal congruence and psychological capital. Journal of Business Ethics, 129(2), 251–264.

Campopiano, G., De Massis, A., & Chirico, F. (2014). Firm philanthropy in small- and medium-sized family firms: The effects of family involvement in ownership and management. Family Business Review, 27, 244-258.

Carney, M., & Nason, R. S. (2018). Family Business and the 1%. Business & Society, 57(6), 1191–1215.

De Nardi, M. (2004). Wealth Inequality and Intergenerational Links. The Review of Economic Studies, 71(3), 743.

Demirtas, O., & Akdogan, A. A. (2014). The effect of ethical leadership behavior on ethical climate, turnover intention, and affective commitment. Journal of Business Ethics, 130(1), 1–9.

Dyer, W. G., & Wilkins, A. 1991. Better stories, not better con- structs, to generate better theory: A rejoinder to Eisenhardt. Academy of Management Review, 16: 613-619.

Eisenbeiss, S. A., & van Knippenberg, D. & Fahrbach. C. M. (2015). Doing Well by Doing Good? Analyzing the Relationship Between CEO Ethical Leadership and Firm Performance. Journal of Business Ethics, 128(3), 635.

Erikson, E. H. (1950). Childhood and society. New York, NY: Norton.

Erikson, E. H. (1968). Identity, youth and crisis. New York: Norton.

Erikson, E. H. (1997).The Life Cycle Completed. Extended Version with New Chapters on the Ninth Stage of Development by Joan M. Erikson.

Faccio, M. & Lang, L.H.P. (2002). The ultimate ownership of Western European corporations. Journal of Financial Economics, 65 (2002), pp. 365-395.

Feliu, N., & Botero, I. C. (2016). Philanthropy in Family Enterprises: A Review of Literature. Family Business Review, 29(1), 121–141.

Gioia, D. A., Corley, K. G., & Hamilton, A. L. 2013. Seek- ing qualitative rigor in inductive research: Notes on the Gioia methodology. Organizational Research Methods, 16: 1

Khanna, T.and Rivkin. J. W. (2006). Interorganizational Ties and Business Group Boundaries: Evidence from an Emerging Economy. Organization Science, 17(3), 333.

Killewald, A., Pfeffer, F. T., & Schachner, J. N. (2017). Wealth Inequality and Accumulation.

Kim, M. & Thapa, B. (2018). Relationship of Ethical Leadership, Corporate Social Responsibility and Organizational Performance.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. (1999). Corporate Ownership around the World. The Journal of Finance, 54(2), 471.

Langley, A. 1999. Strategies for theorizing from process data. Academy of Management Review, 24: 691 710.

Litz, R. A., & Stewart, A. C. (2000). Charity begins at home: Family firms and patterns of community involvement. Nonprofit Voluntary Sector Quarterly, 29, 131-148.

Liao, Y., Liu, X.-Y., Kwan, H. K., & Li, J. (2014). Work–family effects of ethical leadership. Journal of Business Ethics, 128(3), 535–545.

Lu, C.-S., & Lin, -C.-C. (2014). The effects of ethical leadership and ethical climate on employee ethical behavior in the international port context. Journal of Business Ethics, 124(2), 209–223.

Maclean, M. & Harvey, C. (2020). Crafting philanthropic identities. In A. Brown (Ed.), Oxford Handbook of Identities in Organizations. Oxford: Oxford University Press, 637-653.

Marques, P., Presas, P., Simon, A. (2014). The heterogeneity of family firms in CSR engagement: the role of values. Family Business Review, 27(3) 206-227.

Matten, D. & Moon, J. (2008). “Implicit” and “Explicit” CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility. The Academy of Management Review, 33(2), 404.

Mayer, D. M., Kuenzi, M., & Greenbaum, R. L. (2010). Examining the link between ethical leadership and employee misconduct: The mediating role of ethical climate. Journal of Business Ethics, 95, 7–16.

Means, B. (2016). Wealth Inequality and Family Businesses. Emory Law Journal, 65(4), 937–986.

Morck, R., & Yeung, B. (2003). Agency problems in large family business groups. Entrepreneurship Theory and Practice, 27(4), 367–382.

Neubauer, F., & Lank, A. (1998a). Nature and Significance of Family Business. In The family business: Its governance for sustainability (pp. 3–24).

Piketty, T., A.B. Atkinson, & F. Bourguignon. (2000). Theories of persistent inequality and intergenerational mobility ; Handbook of Income Distribution.

Piketty, T. (2014). Capital in the twenty-first century. Thomas Piketty ; transl. by Arthur Goldhammer. Belknap Press of Harvard University Press.

Pistor, K. (2019). The code of capital. how the law creates wealth and inequality. Katharina Pistor. Princeton University Press.

Samara, G. & Arenas D. (2017). Practicing fairness in the family business workplace. Business Horizons, 60 (5) (2017), pp. 647-655.

Sharma, P., Merlin, L., & Nordqvist, M. (2014). The Sage handbook of family business, edited by Leif Melin, Mattias Nodqvist and Pramodita Sharma. Sage.

Stiglitz, J. (1969) "Distribution of Income and Wealth among Individuals." Econometrica 37 (February 1969): 382-97.

van Gils, A., Dibrell, C., Neubaum, D. O., & Craig, J. B. (2014). Social issues in the family enterprise. Family Business Review, 27(3), 193–205.

Wilkinson, R.G. & Pickett, K.E (2009). Income inequality and social dysfunction. Annu. Rev. Sociol., 35 (2009), pp. 493-512

Wu, L.-Z., Kwan, H. K., Yim, F. H.-K., Chiu, R. K., & He, X. (2014). CEO ethical leadership and corporate social responsibility: A moderated mediation model. Journal of Business Ethics, 130(4), 1–13.

Yang, C. (2014). Does ethical leadership lead to happy workers? A study on the impact of ethical leadership, subjective well-being, and life happiness in the Chinese culture. Journal of Business Ethics, 123(3), 513–525.

Yin, R.K. (2018) Case Study Research and Applications (6th edn). Thousand Oaks, CA: Sage.

Zhang, S., & Tu, Y. (2018). Cross-Domain Effects of Ethical Leadership on Employee Family and Life Satisfaction: the Moderating Role of Family-Supportive Supervisor Behaviors. Journal of Business Ethics, 152(4), 1085–1097.

Zellwegger, T. (2017) Managing the family business. theory and practice. Thomas Zellweger, Professor of Management, University of St. Gallen, Switzerland. Edward Elgar Publishing.

2 The Family Business Paradox: How Family Business Groups Create Wealth and Wealth Inequality

Luciana Lucena de Lima

2.1 Abstract

Wealth inequality is one of the most pervasive problems of our times. This article contends that family business groups deserve special examination because they create and control vast amounts of private wealth that are passed through inheritance to future generations. Despite their economic importance, little has been done to investigate to what extent family business groups contribute to wealth inequality. This study offers an economic and legal perspective of the topic and shows that family business groups reify existing power structures that sustain wealth concentration. This article shows that intergenerational transfers *(capital and non-capital)* and the use of the code of law are powerful mechanisms that help to explain why family business groups reinforce existing wealth inequality, a state of affairs that has persisted over time. However, this article also shows that family business groups can increase the distribution of wealth through philanthropy and ethical business practices that can dismantle class hierarchies and create opportunities for disadvantaged groups. Thus, this article concludes that family business groups play a paradoxical role. They create wealth inequality due to their societal and economic power, but they can also create opportunities for upward social mobility for underprivileged communities.

2.2 Introduction

Do family businesses create inequality? Current research suggests that they do because they control vast amounts of private wealth and combine two of society's most important economic institutions: family and business (Means, 2016). The very nature of families perpetuates inequalities (Becker and Tomes, 1979). For instance, owners of family business groups transmit privileges to their offspring that give them advantages both in life (e.g., inheritance, quality education, social and political connections) and through the concentration of economic power made possible by the corporate form (Means, 2016).

Family businesses are the most common form of business ownership in the world (e.g., Anderson and Reeb, 2003; Sharma et al., 2014; Andres, 2008). Aldrich and Cliff (2003, p. 575) noted that "one hundred years ago…business meant family business…and the adjective family was redundant". Business, in other words, has long existed as family business. Even more significant, family business groups (FBG) - "a group of related, and/or unrelated, businesses owned and controlled by members of one or more families in formal and informal ways" (Mukherjee et al., 2019, p. 180) - represent 37 percent of the companies listed in the Fortune 500 (Zellweger, 2017).

While family businesses represent the majority of trading organizations around the world and have significant economic power, the implications of family business on wealth inequality have gone largely unexamined (e.g., Means, 2016; Carney and Nason, 2018). The strand of research that has attempted to investigate this implication suggests that family businesses can increase existing inequalities in wealth and opportunities due to the intergenerational transfer of wealth (Piketty, 2000; Means, 2016). By and large, "heirs stand to benefit from the hard work of previous generations" (Means, 2016, p. 940). In a similar view, Carson and Nason (2016) suggest that family businesses serve their own dynastic

interests, making use of different mechanisms of wealth accumulation to the purpose of their social advantage. In contrast to this perspective, other researchers (e.g., Miller et al., 2008; Davis et al., 1997) have stressed the view that family businesses are friendly organizational forms that improves the lives of the communities where they servein whose midst they operate.

Interpretation of these paradoxical findings in the context of family business is complicated and resists easy answers. First, wealth inequality often reflects family background more than individual merit (e.g., Piketty, 2014; Brighhouse and Swift, 2006). Children born in a high-income household will more likely reproduce their parent's' level of income from one generation to the next. In other words, if your parents are poor, that fact speaks volumes about your own life prospects (Krueger, 2012). From this perspective, inequality would be less of a concern if low-income earners became high-income earners at some point in their lives, as this would increase their prospects for upwards social mobility. However, this still leaves untouched the huge inequalities derived from cultural, social, and educational endowments that are passed on from wealthy parents to their children. This implies that in some way, life chances might never really be completely independent of circumstances of birth (Fishkin, 2016). For instance, in the context of family firms, family acculturation might cause heirs to contemplate joining a family business after having spent half a lifetime watching their parents managing and growing a business.

Second, indications of hard work and personal sacrifice are often claims that wealthy families make to justify for their capital accumulation. However, without making use of legal devices (e.g., contract law, property rights, collateral law, trust, corporate, and bankruptcy law), most of these fortunes would not have lasted long enough to be transferred across generations (Pistor, 2019). Making use of legal instruments to grow and preserve wealth is

used widely, especially by family business groups. Therefore, the widespread notion of the entrepreneurial merit principle of wealth accumulation is but one among many preconceived views of wealth creation by the wealthy. Thus, the use of mechanisms of law most likely plays an important role in creating wealth inequality in the context of family businesses.

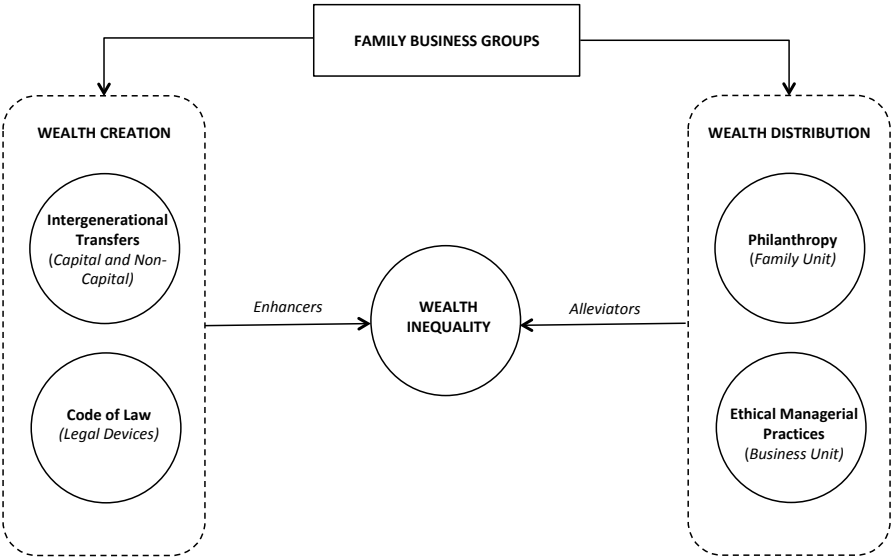
Yet, and despite suggestions that FBGs contribute to wealth inequality, FBGs can serve as ladders of opportunities when society fails to invest adequately in social mobility. Management research shows that organizations can decrease inequality by promoting the redistribution of wealth to society (Bapuji et al., 2018). In the context of family firms, literature shows that family businesses are more likely to engage in corporate social responsibility activities than non-family firms (e.g., Zientara, 2017; Cui et al., 2018). Moreover, Dou et al. (2014) have found that family involvement in a business positively affects the organization's charitable donations.

The above shows that family businesses are embedded in this paradox: they play a double role, where they might reinforce existing inequalities but they might also ameliorate social disparities by increasing the distribution of wealth.

Thus, this paper, which is theoretical in nature, aims to advance the debate about the ambivalent nature of family business and its implications for the complex phenomenon of wealth inequality. While building on Means (2016) and Carney and Nason (2018), it expands their work by incorporating a resource-based view of the unique characteristics of family firms (*familiness*) that strengthen their capacity for creation and concentration of wealth that, in turn, may increase inequality (Figure 2). The paper is structured as follows. The next section explores the concept of wealth creation and how FBGs create wealth and inequality through intergenerational transmissions (Becker and Tomes, 1979) and the use of mechanisms of law (Pistor, 2019). Next, the paper discusses two mechanisms that FBG

groups can use as a counterforce to wealth inequality. On the family side is authentic philanthropy, expressed towards the redistribution of wealth. On the business side is ethical leadership, expressed towards managerial practices that improve the welfare of employees and broader society. The final section summarizes the arguments, highlights contributions to the literature, and suggests directions for future research.

Figure 2: The paradoxical role of family business groups



2.3 Wealth Creation and Inequality

Wealth is usually measured as a household's net worth. This includes the sum of all non-financial assets - real estate, land, buildings, etc. – and financial assets – equities, bonds, bank deposits, life insurance, pension funds, etc., less the value of debts (Killewald et al., 2017; Zucman, 2019). However, more important than the concept of wealth itself is the question of

how is household wealth created in the first place? According to Killewald et al. (2017, p. 392), a "key determinant of wealth is the flow of income into the household" because wealth and income are directly associated. The higher the income, the higher is the level of wealth (Barsky et al., 2002; Killewald, 2013). For instance, parents' high level of income is strongly associated with offspring's wealth. Research shows that parental wealth may benefit children by shaping the quality of education they receive, as well as the resources available at home (Killewald et al., 2017). A higher level of education, in turn, is associated with a higher level of net income and greater wealth accumulation (e.g., Conley and Ryvicker, 2004; Conley, 2001b; Yamokoski and Keister, 2006). Another determinant of wealth is home ownership and the ownership of risky assets such as stocks and mutual funds. The ownership of real estate might increase the wealth of its holders, mainly due to the eventual price appreciation of the asset overtime, while risk assets can generate greater wealth, because they usually offer higher rates of returns in the long run. Moreover, the ownership and control of a business is also associated with a greater level of net worth (Killewald et al., 2017; Carney and Nason, 2018). Particularly, family business owners own significant assets in the form of business equity that generates both income through employment in the business and capital income through share ownership (Carney and Nason, 2018).

A particular characteristic of wealth is its cumulative aspect over time, which "reflects years of prior circumstances and decisions" (Killewald et al., 2017, p. 380) that can be transferred to future generations. As such, inherited and *inter vivos* transfers are strongly related to higher net worth and wealth gains (e.g., Hurst et al., 1998; McKernan et al., 2014; Beckert, 2008; Piketty, 2014).

As these considerations show, understanding the determinants of wealth sheds light on the concept of wealth inequality as "individual differences with respect to control or

ownership of income resources at a given point in time" (Beal and Astakhova, 2017, p. 123). There are other aspects of determinants of wealth that, though important, will not be addressed in this essay. These include topics such as race and ethnic origins, gender, macro-level context, tax policies, religion, family structure and age, but these subjects are discussed elsewhere (e.g., Oliver and Shapiro, 2006; Yamokoski and Keister, 2006; Conley, 1999; Hurst et al., 1998; Duflo et al., 2006). Moreover, and following Killewald et al. (2017), the concept of wealth used in this essay doesn't include human capital, which, contrary to financial and non-financial assets, cannot be traded on markets.

2.4 Family Business Groups, *Familiness* and Wealth Creation

Families that own businesses create their wealth through the benefits generated by their business operations. Concentration of wealth is generally achieved when families have been able to develop family business groups. A family business group (FBG) is "a group of related, and/or unrelated, businesses owned and controlled by members of one or more families in formal and informal ways" (Mukherjee et al., 2019, p. 180). A business group has the following main characteristics: (1) it is a network of two or more legally independent firms; (2) which are bounded together; (3) by formal and/or informal ties (Khanna and Rivkin, 2000, 2006; Mahmood et al., 2011). FBGs dominate many economies worldwide (Morck and Yeung, 2003) and, in many countries, they are largely "controlled by a few wealthy old families" (Morck and Yeung, 2003, p. 369). Formal family ties are important factors in determining the extent to which a family controls a business group. They consist of three different elements. First, they convey the percentage of the ownership stake of the firm that the family holds in their hands (Ward and Dolan, 1998). The minimum threshold of stock to control the various firms of a FBG through shareholder voting rights is theoretically

debatable. It varies from a minimum of 20% to 25% of holding stock (Anderson and Reeb, 2003; Villalonga and Amit, 2006; Ng et al., 2014) to at least 51% of voting rights in any of the businesses associated with the group (Morck and Yeung, 2003). Second, formal family ties might relate to the family's participation on the board of directors or in executive boards (Chua et al., 2009) of the companies that belong to the group. Third, family ties also count for family members holding management positions in the various companies of the FBG (Curvo-Cazurra, 2006).

Informal ties consist of personal family relationships that bind the various businesses together (Chung, 2013; Chung and Chan, 2012). These family connections facilitate cooperation among intra-business groups, amplifying opportunities for business transactions (Chung and Chan, 2012).

Formal and informal ties capture the uniqueness of family firms. In order to access what is unique of a given family business, the resource-based view (RBV) has introduced the concept of *familiness*, which is, "the bundle of resources that are distinctive to a firm as a result of family involvement in the business" (Habbershon and Williams, 1999, p.1). These unique resources of family businesses arise from the involvement of the family in the business and are considered complex, dynamic, and intangible (Habbershon and Williams, 1999), and can serve as a source of competitive advantage (Simon and Hitt, 2003; Hansson, 2015) and superior wealth creation for family firms (Rau, 2014). This bundle of resources can be tangible and intangible (Barney, 1991), as defined in table 2. Tangible resources are material (Hannes and Fjeldstad, 2000), include resources such as physical wealth, and are flexible and fairly easily copied (Carmeli, 2004). Intangible resources, however, are "immaterial and mostly tacit" (Huybrechets et al., 2011, p. 270) and difficult to develop or replicate (Itami, 1987).

Table 2: *Familiness*: tangible and intangible resources

Familiness	Type	Associated resources
Human Capital	Intangible	Intrinsic and intimate familiar relationships transmitted through generations; education; family knowledge
Social Capital	Intangible	Relationship between individuals and organitazions over time; life long interactions; networks
Survivability Capital	Tangible	Personal and family resources disposed to family fimrs such as money, free working hours, equity; inheritance
Patient Capital	Tangible	Capital that is not required in the short term; capital with longer maturity with favorable or no interest rate associated with

(a) Based on Simon and Hitt (2003)

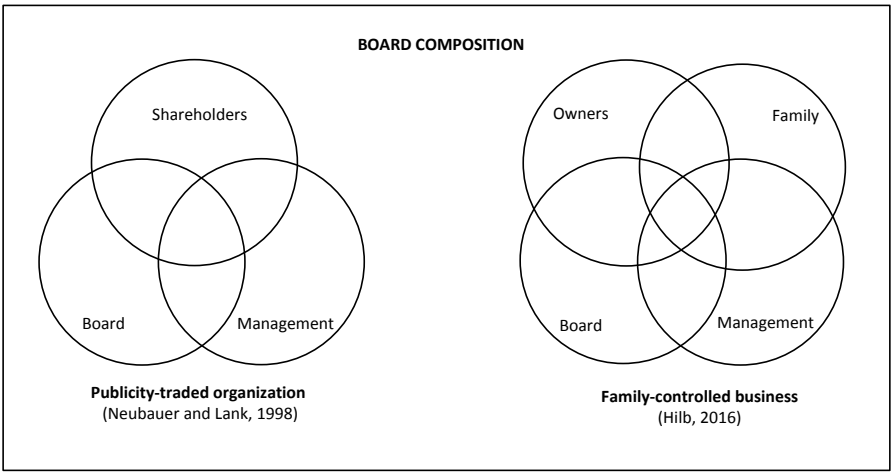
Tangible resources of family firms may be comparable to those of non-family businesses, but the characteristics of family-firm intangible resources appear to be quite distinctive. Of these intangibles, *familiness* is considered the most likely to provide a competitive advantage to family firms (Barney, 1991) in the form of five resources: human capital, social capital, survivability capital, patient capital, and governance structure (Sirmon and Hitt, 2003). Familiness, therefore, can be used not only as an element of analysis that differentiates family and non-family firms (Zellweger et al., 2010), but also as a unique factor that contributes to superior wealth creation: that is, unique family-firm resources and capabilities that can best place family owners to create more wealth than others. For instance, human capital is related to the knowledge, skills, and accumulated experience of a person, which facilitate for the creation of unique outcomes (Coleman, 1988). A family firm's human capital includes intrinsic and intimate familiar relationships (Horton, 1986) that generate firm-specific tacit knowledge (Sirmon and Hitt, 2003), often cultivated and transmitted through generations from parents to children via direct contact and experience (Lane and Lubatkin, 1998). Indeed, research has shown that some of the uniqueness of family firms is

largely attributed to the relationship among family members (Sharma et al., 1997). This intrinsic family-firm knowledge creates a sustained competitive advantage that may enhance wealth creation through generations. Likewise, social capital involves the type of interaction between individuals and organizations that enables action and creates value (Arregle, 2007): goodwill of resources made available to an individual in an exchanging, trusting relationship (Adler and Know, 2002). Social capital can affect the process of wealth creation because it offers "valuable information exchange, technological knowledge, access to markets, and to complimentary resources" (Sirmon and Hitt, 2003, p. 342). According to Nahapiet and Ghoshal (1998), the development of social capital is influenced by four dynamic factors: stability, interaction, interdependence, and closure. Stability in interactions reflects accumulation of social capital, and it is critical for the generation of goodwill over time; this in turn clarifies the logics of mutual cooperation and responsibilities (Hitt et al., 2002; Bourdieu, 1986). Families are a natural "source, builder, and user of social capital" (Bubolz, 2001, p. 130) and also a basis for stability in terms of life-long interaction and interdependency among family members that, in turn, increases the likelihood of transmission of shared values and norms. Through the opportunity of social transactions among family members, such as the exchange of information, influence, and power, family firms benefit from the family' social capital, leading to the creation of intergenerational wealth as a function of unique family resources and capabilities (Rau, 2014). Moreover, research shows that family firms often have strong long-term committed shareholders who provide patient capital to the organization, that is, capital that will not be required in the short term (Dobrzynski, 1993; Teece, 1992; Ward, 1991), and is given regardless of any future possibility of liquidation (Zellweger, 2007). Given that family firms have the desire to perpetuate and pass the business through future generations (Cruz et al., 2006), this provides

a unique incentive to create patient capital (Reynolds, 1992). Patient capital differs from time to market financial capital, due to its longer maturity (Dobrzynski, 1993), and enables family firms to pursue more creative and innovative strategies (Kang, 2000). As such, patient capital is an important factor to foster the creation of the wealth of family firms in the long run. Finally, survivability capital includes the combined personal resources that family members can make available to the benefit of the family business (Sirmon and Hitt, 2003). These can be in the form of personal loans to the company, free working hours, additional equity resources such as houses, cars, etc. Different to non-family firms, the availability of survivability resources exists mainly due to the social capital and strong ties created among the family members that transcend contractual forms of exchange. These resources can protect the family business from difficult times, ensuring continuity, sustainability, and survival of the business. Owners of family business groups have often accumulated great wealth that can be used as patient capital for the business when necessary. Therefore, survivability capital builds a sustained competitive advantage that boosts wealth creation through proper management of a family's personal resources (Sirmon and Hitt, 2003). Finally, good family business governance (Hilb, 2016; Mühlbach, 2004) can provide unique competitive advantage to family businesses. Boards have a central task of ensuring the continuity of a firm in the interests of all stakeholders (Hilb, 2016). The members of the board represent different and partly overlapping interest groups. In publicity traded organizations, the board members act as representatives of different and partially overlapping interest groups (Hilb, 2016). In family-controlled businesses, family members are also important stakeholders and their participation on the board shows family commitment to the business "to be effective owners and support their business for the long run" (Ward, 2004 p. 10) as showed in figure 3.

FBGs represent a big part of the worldwide economy (e.g., Amsden and Hikino, 1994; Kock and Guillén, 2001; Morck and Yeung, 2003). For instance, one third of US companies with revenues above US $1 billion are family firms (Francisco and Michael, 2018). In France and Germany, families control 40% of family business groups (Francisco and Michael, 2018). Accordingly, there are several illustrations of the economic power of such FBGs. The Walton family, for example, controls a 54% stake in the American Wal-Mart retail chain and has an estimated wealth of US $215 billion (Metcalf, 2020). This concentration of economic power and significance of FBGs has implications for broader society. Wealthy families control an extraordinary amount of private wealth (Means, 2016) and maintain "a broader form of social and political control through their cultivated connections" (Francisco and Michael, 2018, p. 1). The question of its significance and influence is not new, but in in light of the increasing inequality gap between rich and poor (Piketty, 2014), the problem deserves a better understanding.

Figure 3: Board composition of publicity-traded firm and family-controlled businesses



In the following, this paper proposes an examination for how FBGs may be entrenching wealth inequality. Departing from the tangible and intangible unique components of family businesses (Barney 1991), the paper acknowledges that two additional theoretical lenses may also provide fruitful and complementary avenues for investigating sources of wealth inequality creation in the context of family firms: intergenerational transmissions (Becker and Tomes, 1979) and mechanisms of law (Pistor, 2019). In the next sections, the paper discusses these two dimensions in detail.

2.5 Family Business Groups and Wealth Inequality

Building upon Means' (2016) claim that family firms implicate concerns regarding to wealth inequality, the following discusses different mechanisms of wealth creation in which this proposition might be true. The first mechanism deals with intergenerational transmissions in the form of capital and non-capital (abilities), which has also been highly researched in law and economics literature on inequality. The second deals with mechanisms of law commonly used to create and preserve family wealth over generations. These two mechanisms open up promising new perspectives to understand the creation of wealth and inequality in the context of LBGs from a legal and economic viewpoint.

2.5.1 Intergenerational Transmissions and Wealth Inequality

A large quantity of economic literature has shown that both intergenerational transmission of capital (physical wealth) and intergenerational transmission of non-human capital (abilities) from parents to children are key elements in the determinants of wealth (e.g., Stiglitz, 1969; Becker and Tomes, 1979, 1986; Atkinson, 1980; Mulligan, 1997; Boserup et al., 2017). Transmission of capital is related to direct transmission of wealth from previous generations

made during life (inter vivos) or at death (inheritance). As Piketty (2000) writes in a paper entitled *Theories of Persistent Inequality and Intergenerational Mobility*, "The most obvious channel explaining why inequality can persist across generations is the transmission of wealth from parents to children through inheritance" (Piketty, 2000, p. 436).

Accordingly, the argument that FBGs can entrench wealth inequality is twofold. First, family fortunes remain largely associated with family business groups. In the United States alone, a third of companies with revenues above US $1 billion are family owned. Similarly, in France and Germany, companies in family ownership account for about forty percent of large-sized firms (Francisco and Michael, 2018). It follows that the wealthiest American families have acquired their fortunes from family firms (Means, 2016) and, among them, forty-two percent inherited an average amount of $2 million in wealth (Keister and Lee, 2014; Nason et al., 2019). The second evident consequence of inheritance is that it tends to perpetuate the inequality of living standards over time because it "makes consumption and welfare more persistent across generations than labor earning" (Piketty, 2000, p. 446).

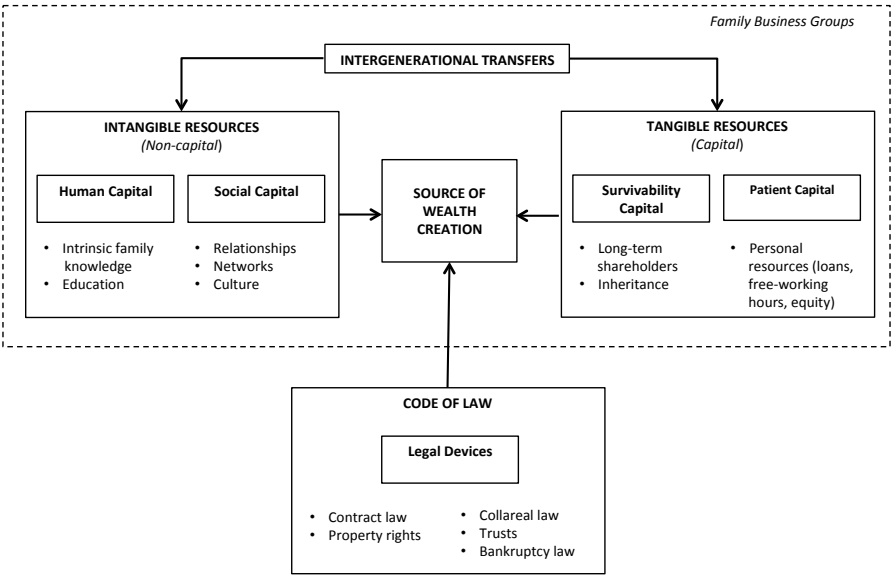
Intergenerational transfer of non-capital *(abilities)* is another powerful mechanism that helps to explain why inequality persists over time (Becker and Tomes, 1979, 1986); Piketty, 2000). The transfer of abilities is conducive to high productive abilities in the form of education, access to privileged networks, political connections that can help to sustain higher levels of earnings, and higher levels of savings over time that support greater levels of wealth accumulation over a lifetime (Feiveson and Sabelhaus, 2018). The endowment of abilities is primarily determined in childhood, through the learning from family interactions (Piketty, 2000). Family, as described by Smith et al. (2009, p. 5), is the "most important and enduring of all human social groupings". Various fields of research such as psychology, sociology, and education have largely described how "family-member relationships, family structures, and

family events affect key individual outcomes such as personality, health, emotional well-being, and economic status" (Jaskiewicz et al., 2017, p. 310). By and large, these outcomes have long-lasting implications to explain patterns of wealth accumulation and inequality. As studies from various fields show, families not only pass on their wealth to children, but they also influence the adult earnings of their children by investing in their skills, health, learning, and many other features (Becker and Tomes, 1986). These early investments are determined not only by the aptitudes of children but also to a large degree by the wealth, income, social environment, and preferences of parents (Becker and Tomes, 1986). Nonetheless, it is true to say that even parents without a minimum threshold of wealth can, eventually, have access to financial debt, or yet, they can reduce family consumption to increase, for instance, the level of investment in the education of their children. In addition to that, less advantaged children cannot benefit to the same extent from public expenditure, such as state education and other public endowments. However, to the extent that family is the core institution responsible for raising children, "no liberal society can promise full equality of opportunity to each of its citizens" (Means, 2016, p. 942).

All this implies that children born into families of wealth have a natural advantage over others. Not only do they receive higher ability endowments earlier in their childhood, which explains higher permanent income in their adult life, but they also receive larger inter vivos transfers and bequests from their parents (Boserup et al., 2014). Such pervasive realities entrench inequality over generations. Indeed, and in the context of family business, Williams et al. (2013, p. 418) suggest that the "larger the family firm, the more likely the founder is to want to pass along these accomplishments —and the corresponding socioemotional and financial wealth—to his or her heirs". Therefore, and in view of the resource-based theory of the firm, understanding how intergenerational transfers of capital

and abilities can significantly amplify the whole mechanism of wealth creation is important, because the circumstance of intergenerational transmissions on its own can create wealth inequality (Figure 4).

Figure 4: Intergenerational transfers and the creation of wealth in FBGs



2.5.2 Usage of the Code of Law and Wealth Inequality

Uncovering the factors that contribute to create and accumulate fortunes of family business groups might help to understand how they can entrench existing wealth inequality. Indications of hard work and personal sacrifice are claims that wealthy families often make as justifications for their capital accumulation (Pistor, 2019). Yet, without making use of legal devices such as contract law, property rights, collateral law, trust, corporate, and bankruptcy law, most of these fortunes would not have lasted long enough to be transferred

across generations (Pistor, 2019). The justification for this argument lies at the heart of the fact that "capital is made from two ingredients: an asset and the legal code" (Pistor, 2019, p. 29). In many cases, family owners are large blockholders of their company, largely regarding it as an asset that will be passed through future generations (Andres, 2008). Additionally, family business groups might end up having access and control over legal code strategies (trust, property rights laws etc.), which presents them with a privileged advantage to derive capital from their holding assets (Pistor, 2019). Capital is defined "as the sum of total non-human assets that can be owned and exchanged on some market… that includes all forms of wealth that individuals (or groups of individuals) can own and that can be transferred or traded through the market on a permanent basis" (Piketty, 2014, pp. 58-59).

Legal coding is the mechanism through which a subset of assets (land, debt, equity-ownership, and knowledge) is transformed into capital through the use of a legal device such as "contract law, property rights, collateral law, trust, corporate and bankruptcy law" (Pistor, 2019, p. 3). Once coded, these assets are imbued with enduring legal attributes of: *priority,* which ranks competing claims to the identical assets; *durability*, which lengthens priority rights in time; *universality*, which extends rights in different legal jurisdictions; and *convertibility*, which functions as an insurance protecting the nominal value of an asset (Pistor, 2019). These attributes of assets not only help the creation of wealth, but also "protect the asset holder from headwinds of ordinary business cycles and give wealth longevity, thereby setting the stage for sustained inequality" (Pistor, 2019, p. 6). For instance, time and again, *trust* is the legal device that has been used the most to add durability to asset holders' property rights. It works in such a way that a legal trust permits an owner (settlor, trust creator) to transfer an asset (business ownership) into a legal shell, set up only for this purpose. In doing so, the rights of the asset are split between the trustee, entrusted with the

property held in trust, and the beneficiary, who receives the (future) economic interest over the asset. By doing so, the settlor no longer owns the asset and, in the event of a default, his/her personal creditors cannot seize it to claim their debt (Pistor, 2019). Likewise, the trustee has no right to any economic benefit from the asset and his/her creditors can't claim it either. The trustee is allowed to sell the asset, but only for the benefit of the beneficiary, who has an economic expectancy in the asset. Additionally, as noted by Pistor (2019, p. 43) "by insulating assets from various groups of creditors, the trust works magic in enhancing their durability". A family trust, for instance, is a common vehicle for structuring family wealth to separate the family from the assets they own. It is used for a variety of legacy and lawful purposes, including preventing the family from federal state and generation-avoiding taxes (Dukeminier and Krier, 2003), and isolating the family's assets to protect them against creditors (Goldstone, 2016). Similarly, it is through the mechanisms of law that the separation of ownership and control is made possible, securing "identifiable families and other cohesive ownership interests…as principal shareholders in…large corporations, as well as the owners of the other forms of large-scale income-bearing properties" (Zeitlin, 1974, p. 1079). It follows that Piketty (2014) "attributes the recent increase in wealth inequality to the rate of return to capital overtaking the economic growth rate" (Killewald et al., 2017, p. 388).

Accordingly, and in line with the above considerations, FBGs have an economic incentive to make use of the code of law to convert their holding assets into capital. In doing so, this paper posits that FBGs might be entrenching existing wealth inequality in two ways. First, and assuming that family firms make use of mechanisms of law to transform assets into capital, they will receive a higher rate of return over capital in comparison to no-asset holders (Andres, 2008; Piketty, 2017), especially if they are family business groups holding a vast amount of assets. Second, by making use of sophisticated legal structures, particularly in

foreign jurisdictions, FBGs can shield assets from tax authorities, depriving states of their redistributive power of wealth through public investments (Pistor, 2019). Put another way, tax avoidance and/or tax evasion activities can lead to an even higher level of wealth accumulation for family owners. Consequently, this suggests that FBGs will be likely to increase the amount of intergenerational transfers of capital through inter vivos transfers and inheritance, entrenching existing wealth inequalities over generations (Piketty, 2000; De Nardi, 2004). As a result, wealth inequality seems to be an unavoidable result of a system that grants privileges to some asset holders who have access to the legal code over others who do not (Hachigian, 2020). While this paper is concerned about how FBGs implicate concerns regarding inequality, due to both inherited wealth and the concentration of economic power, it turns out that FBGs remain well suited to helping to disrupt entrenched class hierarchies and creating opportunities for less privileged families, individuals, and excluded communities. As the following will explore, FBGs can be a counterforce to wealth inequality when society fails to invest in public goods.

2.6 Family Business Groups as a Counterforce to Wealth Inequality

The problem of wealth inequality is not that *wealth* is not shared equally, or that some people inevitably have more wealth than others (Means, 2016). Wealth inequality becomes a problem when it affects fair access to resources and opportunities that allow for social mobility, that is, "when many groups of people have very limited developmental opportunities, both in an absolute sense and relative to others" (Fishkin, 2014, p. 26), which impedes fair life chances. Empirical evidence has found that today's society is much less mobile than it was several decades ago (Solon, 1992), meaning that, more and more, one's chances in life are likely to depend on the circumstances of one's birth. If life chances were

fair, a child born into poverty would have the same opportunities in life as a child born to a wealthy family. That is very unlikely to happen, however, because the circumstance of birth will likely play a role at creating developmental opportunities in life. Children born to poverty will likely continue reproducing the same poor circumstances of their upbringing if they don't have equal access to opportunities in term of jobs and offices, in developmental, health, and education spheres.

However, there are reasons we might articulate as to why FBGs can be a vehicle to expand distribution of wealth and create opportunities to lift individuals and families out of poverty (Means, 2016) and promote social mobility. First, LBGs have a significant participation in the world economy (e.g., Anderson and Reeb, 2003; Faccio and Lang, 2002; Porta et al., 1999; Neubauer and Lank, 1998), which implicates multiple stakeholders and economic power. As such, LBGs allow for value creation and appropriation, but can also be an ultimate facilitator of resource allocation in society, engaging in positive social impact towards the multiple stockholders they serve. Second, research suggests that family firms are more likely to engage in positive social initiatives and community initiatives than non-family firms (e.g., Cruz et al., 2014; Miller and Le Breton-Miller, 2005), due to their higher relational links with internal and external stakeholders (Krishman and Peytcheva, 2018). Finally, prior literature points out that family firms' higher family involvement in their business may exhibit greater concern for wider collective welfare and therefore apply a more collectivist rather than individualistic stakeholder focus (Marques et al., 2014).

In sum, LBGs may determine and influence upward social mobility of less disadvantaged groups inside and outside the boundary of the firm. We argue that, as primary sources of wealth creation in society, the manner in which LBGs distribute the value they create and appropriate play a significant role in the inequality levels in a country. Due to its

economic power, FBGs can ultimately create opportunities for less advantaged communities that "reflect business responsibility for some of the wider societal goods" (Matten and Moon, 200, p. 405). Next, we discuss two mechanisms of redistribution of wealth that hold promise for how FBGs can promote upward social mobility and ameliorate wealth inequality. First, on the family side, FBGs can increase the distribution of wealth by engaging in philanthropic activities, focusing their contributions on organizations or causes that serve to disrupt existing power structures (Domhoff, 2009). Second, on the business side, LBGs can promote ethical leadership practices, focusing on internal stakeholders and increasing, for instance, the welfare of non-family employees, especially low-ranking employees.

2.6.1 The Role of Family Firm Philanthropy to Decrease Wealth Inequality

Family firm philanthropy plays an important role in alleviating social inequalities (Feliu and Botero, 2016), providing economic resources to basic health, housing, education, and sanitation that anticipate that the poor will be able to benefit from such provisions. The wealth distributed outside the family in the form of philanthropy can offer opportunities for excluded communities, creating opportunities for upward social mobility of less fortunate groups (Means, 2016). Philanthropy in family firms involves the voluntary transfer of resources (Bhatgnar et al., 2019; Windsor, 2006; Feliu and Botero, 2016) such as time, money, effort, or knowledge, with a charitable purpose (Litz and Stewart, 2000).

Although philanthropy can theoretically decrease inequality (Bapuji et al., 2018) by distributing wealth to society, elite philanthropy has recently been criticized, considered to be a selfish and highly disconnected exercise from the public benefit - an activity driven rather by the personal and economic benefits for the donors.

Family firms are considered a value-driven type of organization (Olson et al., 2013), often shaped by the owning family's values that re-assess the ethical decision-making processes and behaviors of the business at the intersection of two distinct institutional logics: the family and the business (Greenwood et al., 2011; Melin and Nordqvist, 2007; Ward, 1987). Family values are referred to as a key element in driving ethical behavior in family firms (Duh et al., 2010) through "setting the vision, mission and goals of the family firm" (Vazquez, 2018, p. 699). Family firm literature has described family values as the rationale behind observed altruistic behaviors (Marques et al., 2014). Interestingly, research on the values of the owner or top managers in family firms found that "concern for the employees' health and welfare, pride, altruism, and the responsibility to give back to society" influence whether a family-owned firm will engage in practices to wider society and to what extent (Marques et al., 2014, p. 209). In line with this view, family firm philanthropy can be a centerpiece for engagement that reflects the family's authentic values and altruistic preoccupation with wider society, a counterforce to the imbalance created by inherited wealth.

2.6.2 The Role of Ethical Leadership to Reduce Wealth Inequality

"Organizations are the vector through which wealth is created and distributed" (Scully et al., 2018, p. 1078), and ethical leaders have a clear sense of their social responsibilities and give priority to actions that benefit the interest of broader society and, particularly, their employees (Zhang and Tu, 2018). Ethical leadership is defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown et al., 2005, p. 120).

Family firms are considered ethical organizations (Cruz et al., 2014; Marquez et al., 2014) mainly because of the family involvement in the firm that helps to shape the business's ethical standards and outcomes (Long and Mathews, 2011). Particularly, the values and characteristics of the founding owner (Adams et al., 1996) transmit beliefs and principles that strongly affect the business culture during and beyond his/her tenure (Gallo, 2004; Duh et al., 2010). Therefore, ethical leadership orientations in the form of humaneness, justice, responsibility, and moderation orientations can serve as a framework to ethics-based decision-making in the family business system that triggers broader distribution of wealth to improve the quality of life of less privileged groups: for instance, low-ranking employees. *Humane Orientation* refers "to treat others with dignity and respect and to see them as ends not as means" (Einsenbeiss, 2012, p. 795). It can be expressed by how family business groups treat employees with respect to wages and benefits (Samara and Arenas, 2017). These might include, for instance, family business groups paying low-ranking employees with a living wage that is above the minimum wage defined by law, thus helping the employees "to meet the cost of the 'essentials of life', such as bills, food, rent, and transport; to prevent them from being in debt and thus enjoy a better social life" (Werner and Lim, 2016). Moreover, family business groups can offer further complementary benefits, such as paying for health insurance, transportation, household, and the education of employees and their relative families. The offering of these additional benefits, especially to low-ranking employees, can help to prevent them from being in debt and allow them to enjoy a better social life (Werner and Lim, 2016). *Justice* orientation refers to "making fair and consistent decisions and not discriminating against others" (Einsenbeiss, 2012, p. 796). It is expressed by a "leader's consistent decision making, respect for diversity, and non-discriminatory treatment of others with regard to sexual differences, nationality, religion, political beliefs, economic or social

status" (Einsenbeiss, 2012, p. 796). Family business groups can promote greater societal justice by serving as enablers of opportunities for marginalized groups, when states and society fail to invest sufficiently in social mobility (Means, 2016). For instance, promoting affirmative employment for black people may contribute to reduce inequality by avoiding a climate of racial discrimination. *Responsibility* is a multi-dimensional construct (Carroll, 1979) that evolves economic, legal, ethical, and philanthropic components (Carroll, 1991), with a focus on the welfare of broader society, including being thoughtful about the community, the environment, and fostering sustainable and long-term relationships with employees and business partners (Eisenbeiss et al., 2015). These are expressed, for instance, by having firms complying with the laws and regulations decided by state and federal governments (Kim and Thapa, 2018), by engaging in fair operations and legal operations (Carroll, 1991), by a firm's sense of social morality that exceeds legal responsibility (Kim and Thapa, 2018), embracing ethics norms and values that are behind current laws (Carroll, 1991), by fostering corporate activities to promote human welfare or the goodwill of society (Carroll, 1991), and by acting as *good corporate citizens* (Carroll, 1991). *Moderation Orientation* refers to "temperance and humility and balanced leader behavior" (Einsenbeiss, 2012, p. 797). Moderation expresses the wisdom involved in a leader's attempts to find a balance between legitimate organizational goals and multiple stakeholder interests (Eisenbeiss, 2012). This may be for family business groups to balance the tension between profitability and purpose that reflects on broader society equality, short-term results versus the company's longer-term goals that favor the welfare of all stakeholders, and balancing the interests of the family with the need of the business to maintain sustainability of the business.

2.7 Discussion

This paper, drawing on Means (2016), claims that family business groups can both create and ameliorate wealth inequality; the paper has aimed to provide theoretical support in favor of the view that family business, indeed, has an ambiguous and paradoxical nature, leading to both harmful and positive outcomes for its stakeholders. In this way, it has aimed to challenge the view of family firms as an intrinsic and friendly organizational form that improves the lives of the communities they serve. In particular, the paper has argued that, due to their ambiguous nature, for family firms to produce net benefits to society they must voluntarily engage in forms of wealth distribution. In other words, family business groups are net creators of wealth inequality, mainly due to the intergenerational transmission of capital and non-capital, the use of mechanisms of law and the uniqueness resources (*familiness*) derived from the family involvement in the business, that, essentially, serve to create and preserve wealth over generations.

Seen in this way, family business groups become a driver of self-serving interest to satisfy their own dynastic benefits, making use of different mechanisms of wealth accumulation and preservation of the purpose of their social advantage. Especially, the paper has shown that family business owners have a privileged advantage to accumulate wealth over others because they can derive capital from holding assets (Pistor 2019).

On the other hand, the paper, while explaining why family firms can create inequality, has also identified areas in which family businesses can serve a broader range of social objectives by increasing the redistribution of wealth both on the family and the business side. On the family side, they can achieve this by philanthropy, towards less privileged groups. On the business side they can practice ethical leadership, expressed through managerial practices that improve the welfare of employees.

However, it would be over-simplistic if this paper assumes that the process of generating and accumulating wealth is merely related to the good use of legal coding by family business groups, or that it is due to the intergenerational transfer of capital and non-capital. In fact, there is extensive literature that shows other causal pathways than business ownership that are also likely to produce wealth accumulation over time. For instance, home ownership and ownership of risky assets such as stocks and mutual funds are associated with higher net worth (Killewald et al., 2017). Additionally, economic scholarship on wealth research shows that wealth accumulation is also influenced by factors such as: inheritance, income, family structure, race, gender, and social origins (Killewald et al., 2017). Therefore, and accepting the complexity to seize all determinants of wealth disparity and their impact on society, further research should incorporate these elements to provide a more accurate analysis of the determinants of wealth creation and the implications concerning family business groups.

Moreover, this paper concentrates on discussing only two mechanisms of redistribution of wealth that can be employed by family firms. Other mechanisms should also be considered, such as estate and inheritance taxes, as they are public mechanisms that directly impact family firms. Redistribution of wealth through taxes, though controversial, can also increase the welfare of wider society, and further research should explore the intersection of family business, taxes, and inequality.

Finally, to the extent that family firms are part of larger society, a comprehensive analysis of the complex problem of wealth inequality must have the involvement of the state and its importance in creating public policies to address societal matters. The distribution of wealth has inevitable implications for the lives of everyone, as the “concrete, physical reality of inequality is visible to the naked eye” (Pikkety, 2019, p. 3). As such, it is hoped that this

paper will promote further discussion and research on the implications of family business and wealth inequality.

2.8 Implications for the Study of Wealth Inequality

Existing perspectives on the rise of wealth inequality focus primarily on market-based explanations, globalization and tax-policy (Morris and Western, 1999). While each of these venues has provided important insights into the factors contributing to wealth inequality, the explanations are often lack detailed view of the phenomenon, suggesting other factors might be important. By not considering the role of family business groups in the processes of wealth creation and preservation over generations, existing research overlooks potentially important firm-level factors driving differences in wealth and opportunities over time. Family business groups dominate many economies worldwide (Morck and Yeung, 2003) and, in many countries, they are largely "controlled by a few wealthy old families" (Morck and Yeung, 2003, p. 369), and research indicates that wealth families primarily serve "their own dynastic interests" (Carney and Nason, 2018, p. 1193). As such, the model presented here extends existing research by examining why family business groups are creators of wealth inequality based on unique factors (*familiness*, intergenerational transfers) that influence the creation and preservation of wealth over generations.

A family firm-level theory of wealth inequality may also complement existing theories of the phenomenon. Family business scholars have been largely silent about the factors that lead to societal levels of wealth inequality caused by family business groups. Generating a more complete understanding of how family firms create wealth inequality, therefore, may inform interest in the impact of wealth inequality on individuals, group, firm, and societal dynamics.

2.9 Limitations and Future Research

The conceptual model created here is not without limitations. First, while some of the constructs used have well-researched theories like the resource-based-view of the firm, others, such as mechanisms of laws, do not. In previous research scholars investigated how wealth structures work out in practice with the resulting advantages and disadvantages in terms of creating and preserving wealth (Zellweger, 2015). Further research, however, should exploit further the role of the law and the institutional context in shaping wealth (Foley and Greenwood, 2010).

Second, the paper focuses on a relatively small number of redistribution practices. Other practices, such as those related to public policy can be employed by family firms in partnership with governments units to funding priorities concerning distribution of wealth. Moreover, this paper used a single a single theoretical perspective in developing its arguments for how family firms have superior competitive advantage to create wealth. Insights from other organizational theories, however, may also shed light on how wealth is created in the context of family business groups.

Finally, there is still a dearth of studies investigating how family business groups can align their business operations with the UN Sustainable Development Goals (SDGs) to be a powerful antidote against inequality. Further research can delve into how family business groups, due to its economic power, are essential to achieving transformational change through the SDGs, specially through SDGs Goal 10 (Reduced Inequalities) that aims, among other things, to increase and sustain income grown of the bottom of the population and to ensure equal access of opportunities to disadvantaged and marginalized groups. As inequality represents a huge obstacle to any kind of sustainable future, if FBGs were inherently reinforcing existing inequalities due to intergenerational transfers, further research can extend

this topic by framing how FBGs, in light of the SDGs, can become a vector to reduce global inequalities.

2.10 Conclusion

Witnessing rising levels of wealth inequality through much of the world and holding concerns for its impact on society, scholars from across the social sciences have made great progress in understanding the phenomenon. However, there is further work that can be done to refine, improve, and increase our knowledge of the factors driving levels of wealth inequality around the world. Considering social levels of wealth inequality to be, in part, an outcome of how family business groups create and transfer wealth over generations where unique resources (*familiness*) and mechanisms of laws are employed to create wealth, opens up important and new paths of research for both wealth inequality and family business scholars. Although family business groups are not the sole determinant of wealth inequality, they play an important yet understudied role. Accounting for the ways in which family business groups influence societal outcomes has the potential to enrich our understanding of the dynamics impacting wealth differentials and provides social science researchers a starting point to examine this critical and complex social issue.

References

Adams, J., Taschian, A., & Shore, T. (1996). Ethics in family and non-family-owned firms: An exploratory study. Family Business Review, 9(2), 157–170.

Adler, P. S. & Kwon, S. W. (2002). 'Social capital: prospects for a new concept'. Academy of Management Review, 27, 17–40.

Amsden, A. H., & Hikino, T. (1994). Project execution capability, organizational know-how and conglomerate corporate growth in late industrialization. Industrial and Corporate Change, 3(1), 111–147.

Anderson, R., Reeb, D. 2003 "Founding family ownership and firm performance Evidence from the S&P 500" Journal of Finance, 58 1301–1328.

Aldrich, H.,and J. E. Cliff (2003). "The Pervasive Effects of Family on Entrepreneurship: Towards a Family Embeddedness Perspective," Journal of Business Venturing 18, 576–596.

Andres, C. (2008). Large shareholders and firm performance—An empirical examination of founding-family ownership. Journal of Corporate Finance, 14(4), 431–445.

Arregle, J.L., Hitt, M.A., Sirmon, D.G., & Very, P. (2007). The development of organizational social capital: Attributes of family firms. Journal of Management Studies, 44(1), 73–95.

Atkinson, A. (1980). "Inheritance and the Redistribution of Wealth,"
G Hughes, G. Heal (Eds.), Public Policy and the Tax System: Essays in honour of James Meade, Allen and Unwin, London (1980).

Bapuji, H., Husted, B., Lu, J., & Mir, R. (2018). Value Creation, Appropriation, and Distribution: How Firms Contribute to Societal Economic Inequality.

Barney, J., 1991. Firm resources and sustained competitive advantage. J. Manage. 17 (1), 99–120.

Barsky, R., Bound, J., Charles KK, & Lupton, JP. (2002). Accounting for the Black-White Wealth Gap: A Nonparametric Approach. Journal of the American Statistical Association, 97(459), 663.

Bhatnagar, N., Sharma, P., & Ramachandran, K. (2020). Spirituality and Corporate Philanthropy in Indian Family Firms: An Exploratory Study. Journal of Business Ethics, 163(4), 715.

Beal, B. D., & Astakhova, M. (2017). Management and Income Inequality: A Review and Conceptual Framework. Journal of Business Ethics, 142(1), 1–23.

Becker, G.S &Tomes, N (1979). “An Equilibrium Theory of the Distribution of Income and Intergenerational Mobility.” Journal of Political Economy. Vol. 87, No. 6.

Becker, G.S &Tomes, N (1986). “Human Capital and the Rise and Fall of Families.” Journal of Labor Economics. Vol. 4, No.3 pt.2, pp. S1-S39.

Beckert J. 2008. Inherited Wealth. Princeton, NJ: Princeton Univ. Press.

Boserup, S., Kopczuk, W., Kreiner, C. T. (2016). The role of bequests in shaping wealth inequality: evidence from Danish wealth records. Am. Econ. Rev., 106 (2016), pp. 656-661.

Brighouse, H., &A. Swift. 2006. “Equality, Priority, and Positional Goods.” Ethics 116: 471–97.

Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. The Leadership Quarterly, 17(6).

Bubolz, M. (2001). ‘Family as source, user, and builder of social capital’. Journal of Socio-Economics, 30, 129–31.

Carmelli, A. (2004), “Assessing core intangible resources”, European Management Journal, Vol. 22 No. 1, pp. 110 -22.

Carney, M., & Nason, R. S. (2018). Family Business and the 1%. Business & Society, 57(6), 1191–1215.

Carroll, A. B.: 1979, A Three-Dimensional Conceptual Model of Corporate Performance, The Academy of Management Review 4(4), 497–505.

Carroll, A. B.: 1991, The Pyramid Of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders, Business Horizons 34, 39–48.

Chua, J.H., Chrisman, J.J. and Bergiel, E.B. (2009), “An agency theoretic analysis of the professionalized family firm”, Entrepreneurship Theory and Practice, Vol. 33 No. 2, pp. 355-372.

Chung, H.M. & Chan, S.T. (2012). Ownership structure, family leadership, and performance of affiliate firms in large family business groups. Asia Pacific Journal of Management, 29(2), 1–27.

Chung, H. M. 2013. The role of family management and family ownership in diversification: The case of family business groups. Asia Pacific Journal of Management, 30: 871-891.

Coleman, J.S. (1988). Social capital in the creation of human capital. American Journal of Sociology, 94, S95–S120.

Conley D. 1999. Being Black, Living in the Red: Race, Wealth, and Social Policy in America. Berkeley: Univ. Calif. Press.

Conley D. 2001b. Decomposing the black-white wealth gap: the role of parental resources, inheritance, and investment dynamics. Sociol. Inq. 71(1):39–66.

Conley D, Ryvicker M. 2004. The price of female headship: gender, inheritance and wealth accumulation in the United States. J. Income Distrib. 13(3–4):41–56.

Cruz, C., Nordqvist, M., Habbershon, T., Salvato, C., & Zellweger, T. (2006). A conceptual model of transgenerational entrepreneurship in family influenced firms. Jväskilä: International Family Enterprise Research Academy.

Cuervo-Cazurra, A. (2006). 'Business groups and their types'. Asia Pacific Journal of Management, 23, 407–18.

Cui, V., Ding, S., Liu, M., & Wu, Z. (2018). Revisiting the Effect of Family Involvement on Corporate Social Responsibility: A Behavioral Agency Perspective. Journal of Business Ethics, 152(1), 291.

Daily C. M. &Dalton, D. R. (1992). 'Financial performance of founder-managed versus profession-ally managed small corporations'. Journal of Small Business Management, 30, 25–34.

Davis, J. H., Schoorman, F. D., & Donaldson, L. 1997. Toward a stewardship theory of management. Academy of Man- agement Review, 22(1): 20-47.

De Nardi, M. (2015). Quantitative models of wealth inequality: A survey (Working Paper No. 21106). Cambridge, MA: National Bureau of Economic Research.

Domhoff, G. W. (2009). The power elite and their challengers: The power of nonprofits in American social conflict. American Behavioral Scientist, 52(7), 955-973.

Dobrzynski, J.H. (1993). Relationship investing. Business Week, 3309, 68–75.

Dou, J., Zhang, Z., & Su, E. (2014). Does family involvement make firms donate more? Empirical evidence from Chinese private firms. Family Business Review, 27(3), 259–274

Duh, M., Belak, J., & Milfelner, B. (2010). Core values, culture and ethical climate as constitutional elements of ethical behavior: Exploring differences between family and non-family enterprises. Journal of Business Ethics, 97, 473–489.

Dukeminier, J. &Krier, J.E. (2003). The rise of the perpetual trust. UCLA Law Review, 50, 1303–1344.

Eisenbeiss, S. A. (2012). Re-thinking ethical leadership: An interdisciplinary integrative approach. The Leadership Quarterly, 23(5), 791–808.

Eisenbeiss, S. A., & van Knippenberg, D. & Fahrbach. C. M. (2015). Doing Well by Doing Good? Analyzing the Relationship Between CEO Ethical Leadership and Firm Performance. Journal of Business Ethics, 128(3), 635.

Faccio, M. and Lang, L.H.P. (2002). The ultimate ownership of Western European corporations. Journal of Financial Economics, 65 (2002), pp. 365-395.

Francisco, L., & Michael, A. (2018). Big Business and Family Business. Shadow Networks : Financial Disorder and the System That Caused Crisis.. Oxford University Press.

Feliu, N., & Botero, I. C. (2016). Philanthropy in family enterprises : a review of literature. Family Business Review, 1, 121.

Feiveson, L. & Sabelhaus, J. (2018) How does intergenerational transmission affect wealth concentration? Fed Notes. Board of Governors of the Federal Reserve.

Fishkin, J. (2016). Bottlenecks: A New Theory of Equal Opportunity. Oxford University Press.

Krishnan, G. &Peytcheva, M. (2017), "The risk of fraud in family firms: assessments of external auditors", Journal of Business Ethics, pp. 1-18.

Gallo, M. A.: 2004, 'The Family Business and Its Social Responsibilities', Family Business Review 17(2), 135–148.

Gary S. Becker, & Nigel Tomes. (1986). Human Capital and the Rise and Fall of Families. Journal of Labor Economics, 4(3), S1.

Gautier, A., & Pache. A. (2015). Research on Corporate Philanthropy: A Review and Assessment. Journal of Business Ethics, 126(3), 343.

Goldstone, H. / H. J. E. / W. K. (2016). Family trusts a guide for beneficiaries, trustees, trust protectors, and trust creators. Family Trusts.

Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. (2011). Institutional complexity and organizational responses. Academy of Management Annals, 5(1), 317–371.

Habbershon, T., Williams, M.L., 1999. A resource-based framework for assessing the strategic advantages of family firms. Fam. Bus. Rev. 12 (1), 1–22.

Hachigian, H. (2020). Review of The Code of Capital: How the Law Creates Wealth and Inequality by Katharina Pistor. J Bus Ethics 166, 197–201.

Hannes, K. &Fjedstad, Ø. (2000). Linking Intangible Resources and Competition. European Management Journal, 18 (1), 52-62.

Hansson, P. (2015). 14. Resource based theory and the family business. Theoretical Perspectives on Family Businesses, p (2015), 253-272.

Hilb, M. (2016). New Corporate Governance: Successful Board Management Tools. 5th edition. Berlin: Springer Gabler.

Hitt, M. A., Lee, H. &Yucel, E. (2002). 'The importance of social capital to the management of multinational enterprises: relational networks among Asian and western firms'. Asia Pacific Journal of Management, 19, 353–72.

Hitt, M. A., & Sirmon, D. G. (2007). The development of organizational social capital: Attributes of family firms.

Hurst E, Luoh MC, Stafford FP. 1998. The wealth dynamics of American families, 1984–94. Brookings Pap. Econ. Act. 1998(1):267–337.

Huybrechts, J., Voordeckers W., Vandemaele, S., Lybaert, N. (2011). The distinctiveness of family-firm intangibles: A review and suggestions for future research. Journal of Management and Organization, 17 (2) (2011), pp. 268-287.

Jaskiewicz, P. (1), Combs, J. G. (2), Shanine, K. K. (3), & Kacmar, K. M. (4). (n.d.). Introducing the family: A review of family science with implications for management research. Academy of Management Annals, 11(1), 309–341.

Kang, D. (2000). The impact of family ownership on performance in public organizations. A study of the U.S. Fortune 500, 1982–1994. 2000 Academy of Management Meeting, Toronto.

Keister, L. A., & Lee, H. Y. (2014). The one percent top incomes and wealth in sociological research. Social Currents, 1, 13-24.

Khanna, T.and Rivkin. J. W. (2006). Interorganizational Ties and Business Group Boundaries: Evidence from an Emerging Economy. Organization Science, 17(3), 333.

Killewald, A. (2013). Return to "Being Black, Living in the Red": A Race Gap in Wealth That Goes Beyond Social Origins. Demography, 50(4), 1177-1195.

Killewald, A., Pfeffer, F. T., & Schachner, J. N. (2017). Wealth Inequality and Accumulation.

Kim, M. & Thapa, B. (2018). Relationship of Ethical Leadership, Corporate Social Responsibility and Organizational Performance.

Kock CJ, Guillen MF. 2001. Strategy and structure ´ in developing countries: business groups as an evolutionary response to opportunities for unrelated diversification. Industrial and Corporate Change 10: 77–113.

Krueger, A.2012. “The Rise and Consequences of Inequality in the United States,” Council of Economic Advisers Address, January 12, 2012.

Krishnan, G., & Peytcheva, M. (2019). The Risk of Fraud in Family Firms: Assessments of External Auditors. Journal of Business Ethics, 1-18.

Itami, H. (1987), Mobilizing Invisible Assets, Harvard University Press, Cambridge, MA.

Lane PJ, Lubatkin M. 1998. Relative absorptive capacity and interorganizational learning. Strategic Management Journal 19(5): 461–477.

Litz, R. A., & Stewart, A. C. (2000). Charity begins at home: Family firms and patterns of community involvement. Nonprofit Voluntary Sector Quarterly, 29, 131-148.

Long, R. G., & Mathews, K. M. (2011). Ethics in the family firms: Cohesion through reciprocity and exchange. Business Ethics Quarterly, 21(2), 287–308.

Mahmood, I. P., Zhu, H., & Zajac, E. J. (2011). Where can capabilities come from? network ties and capability acquisition in business groups. Strategic Management Journal (John Wiley & Sons, Inc.), 32(8), 820–848.

Marques, P., Presas, P., Simon, A. (2014). The heterogeneity of family firms in CSR engagement: the role of values. Family Business Review, 27(3) 206-227.

Matten, D., & Moon, J. 2008. “Implicit” and “explicit” CSR: A conceptual framework for a comparative understanding of corporate social responsibility. Academy of Management Review, 33 (2): 404–424.

McKernan S-M, Ratcliffe C, Simms M, Zhang S. 2014. Do racial disparities in private transfers help explain the racial wealth gap? New evidence from longitudinal data. Demography 51(3):949–74.

Means, B. (2016). Wealth Inequality and Family Businesses. Emory Law Journal, 65(4), 937–986.

Merlin, L. & Nordqvist, M. (2007). The reflexive dynamics of institutionalization: The case of family business. Strategic Organization, 5, 321–333.

Metcalf, T. (2020). These are the World’s Richest Families. Bloomberg.Com, N.PAG.

Miller, D. & Le Breton-Miller, I. (2005). Managing for the long run: Lessons in competitive advantage from great family firms. Strategic Management Journal, 31(2), 201-223.

Miller, D., Le Breton-Miller, I., & Scholnick, B. 2008. Stewardship vs. stagnation: An empirical comparison of small family and non- family businesses. Journal of Management Studies, 45.

Morck, R., & Yeung, B. (2003). Agency problems in large family business groups. Entrepreneurship Theory and Practice, 27(4), 367–382.

Mukherjee, K., Rautiainen, M., Pihkala, T., & Rosa, P. (2019). The Dynamics and Complexity of Family Business Groups. Palgrave Macmillan, Cham.

Mulligan, C. B. (1997). Parental Priorities and Economic Inequality. University of Chicago Press, Chicago, IL.

Muehlebach, C. (2005): Familyness as a Competitive Advantage. Berlin-Stuttgart.

Nahapiet, J. and Ghoshal, S. (1998). 'Social capital, intellectual capital, and the organizational advantage'. Academy of Management Review, 23, 242–66.

Nason, R.S., Carney, M., Le Breton-Miller, I. and Miller, D. (2019), "Who cares about socioemotional wealth? SEW and rentier perspectives on the one percent wealthiest business households", Journal of Family Business Strategy, Vol. 10 No. 2, pp. 144-158.

Neubauer, F., & Lank, A. (1998a). Nature and Significance of Family Business. In The family business: Its governance for sustainability (pp. 3–24).

Oliver ML, Shapiro TM. 2006. Black Wealth, White Wealth: A New Perspective on Racial Inequality. New York: Routledge.

Olson, P.D., Zuiker, V.S., Danes, S.M. Stafford, K., Heck, R.K., Duncan, K.A. The impact of the family and the business on family business sustainability. Journal of Business Venturing, 18 (5) (2003), pp. 639-666.

Piketty, T. (2000); Theories of persistent inequality and intergenerational mobility, Handbook of income distribution volume 1, Elseiver science, Oxford.

Piketty, T. (2014). Capital in the twenty-first century. Thomas Piketty ; transl. by Arthur Goldhammer. Belknap Press of Harvard University Press.

Pistor, K. (2019). The Code of Capital: How the Law Creates Wealth and Inequality.

Rau, S. B. (2014), 'Resource-based view of family firms', in Melin, L., Nordqvist, M. and Sharma, P. (eds), The SAGE Handbook of Family Business, London: SAGE, pp. 321– 39.

Samara, G. & Arenas D. (2017). Practicing fairness in the family business workplace. Business Horizons, 60 (5) (2017), pp. 647-655.

Sharma, P., Chrisman, J. J., & Chua, J. H. (1997). Strategic management of the family business: Past research and future challenges. Family Business Review, 10(1), 1–35.

Sharma, P., Merlin, L., and Nordqvist, M. (2014) Introduction: Scope, evolution and future of family business, in Melin, M. Nordqvist, and P. Sharma (eds), SAGE Handbook of Family Business. London: Sage.

Simon, D. G., & Hitt, M. A. (2003). Managing resources: Linking unique resources, management, and wealth creation in family firms. Entrepreneurship Theory & Practice, 339-359.

Smith, S. R., Hamon, R. R., Ingoldsby, B. B., & Miller, J. E. 2009. Exploring family theories. New York, NY: Oxford University Press.

Solon, G. (1992). Intergenerational Income Mobility in the United States. The American Economic Review, 82(3), 393.

Scully, M. (1), Rothenberg, S. (2), Tang, Z. (2), & Beaton, E. E. (3). (n.d.). Mobilizing the Wealthy: Doing "Privilege Work" and Challenging the Roots of Inequality. Business and Society, 57(6), 1075–1113.

Stiglitz, J. (1969) "Distribution of Income and Wealth among Individuals." Econometrica 37 (February 1969): 382-97.

Teece, D.J. (1992). Foreign investment and technological development in Silicon Valley. California Management Review, 34(2), 88–106.

Vazquez, P. (2018). Family business ethics: At the crossroads of business ethics and family business. Journal of Business Ethics, 150(3), 691–709.

Villalonga, Belen, & Raphael Amit (2006), "How Do Family Ownership, Control and Management Affect Firm Value?" Journal of Finance, 80 (2) (2006), 385– 417.

Ward, J. L. (1997). Growing the family business: Special challenges and best practices. Family Business Review, 10(4), 323–337.

Ward, J. (1991). The power of patient capital. Nation's Business, 79(9).

Ward, J. (2004). How governing family businesses is different. In Steger, U. (ed.), Mastering Global Corporate Governance. Chichester: Wiley, pp. 135–167.

Werner, A., & Lim, M. (2016). The Ethics of the Living Wage: A Review and Research Agenda.

Wernerfelt, B. (1984), 'A resource based view of the firm', Strategic Management Journal, (5), 1984, pp. 171-180.

Williams, D. W., Zorn, M. L., Crook, T. R., & Combs, J. G. (2013). Passing the torch: factors influencing transgenerational intent in family firms. Family Relations, 62(3), 415–428.

Windsor, D.: 2006, 'Corporate Social Responsibility –Three Key Approaches', Journal of Management Studies 43, 93–114.

Yamokoski A, Keister LA. 2006. The wealth of single women: marital status and parenthood in the asset accumulation of young baby boomers in the United States. Fem. Econ. 12(1–2):167–94.

Zhang, S., & Tu, Y. (2016). Cross domain effects of ethical leadership on employee family and life satisfaction: The moderating role of family supportive supervisor behaviors. Journal of Business Ethics.

Zellweger, T., Kellermanns, F.W., Eddleston, K.A., Memili, E. (2010). Exploring the concept of familiness: Introducing family firm identity Journal of Family Business Strategy, 1 (1) (2010), pp. 54-63.

Zellweger, T. (2017). Managing the Family Business: Theory and Practice. Edward Elgar Publishing Limited:UK.

Zeitlin, M. (1974). Corporate ownership and control: The large corporation and the capitalist class. American Journal of Sociology, 79, 1073-1119.

Zientara, P. 2017. Socioemotional Wealth and Corporate Social Responsibility: A Critical Analysis. Journal of Business Ethics, 144(1): 185–199.

Zucman, G. 2019. "Progressive Wealth Taxation." Brookings Papers on Economic Activity. Conference draft, Sept. 5.

3 Deciphering the Link Between Spiritual Capital and Ethical Leadership in Family Business Groups: The Case of Magazine Luiza S.A. in Brazil

Luciana Lucena de Lima, Maria José Parada, Allan Discua Cruz

3.1 Abstract

Research indicates that spiritual values are related to ethical behavior; yet, what makes this association occur is still poorly understood. Family firms are known to strive for ethical behavior. It is also known that families play an important role in transmitting values across successive generations, including the family's spiritual belief system. Our study engages in an interpretative, qualitative analysis of the experience of Magazine Luiza S.A., a publicly traded multigenerational family business in Brazil that has integrated spiritual values in its organization. Drawing upon spiritual capital and ethical leadership literature, our findings suggest that an owning family's spiritual capital influences a leader's expressions of ethical orientations, which, in turn, lead to more favorable business practices towards employees, such as equal working opportunities, inclusion of less privileged groups in the workplace, and an enhanced welfare scheme to employees. Our findings highlight antecedents that facilitate the occurrence of spiritual capital in the context of family firms and offer insights into the role of spiritual values in ethical leadership.

3.2 Introduction

There is a growing interest in understanding the influence of spirituality in the ethical behavior of organizations (Rocha and Pinheiro, 2021). Most trading organizations around the world are family businesses (Melin et al., 2014). Family businesses, that is, firms where family and business objectives are deeply intertwined (Howorth and Robinson, 2020), have long been considered to differ from non-family enterprises in their approach to ethical

behavior (e.g., Adams et al., 1996; Blodgett et al., 2011; Yusof et al., 2014). Family firms have been found to devote time, energy, and effort to behaving in an ethical way (Cruz et al., 2014; Marques et al. 2014), and have not gone unnoticed in terms of how spiritual values may influence the way they behave (Astrachan et al., 2020). Yet, current explanations emphasize the preservation of family values and reputation (Cui et al., 2018) and the concern for simultaneous family and business goals as key drivers for ethical behavior. Previous studies have suggested that ethical behavior largely depends on individual values (e.g., Driscoll et al., 2019; Pirson et al., 2017), as values shape personal and professional ethos (Treviño et al., 2006), which in turn influence decision-making and behavior within different contexts, such as the business context (Wang and Hackett, 2016). Thus, starting from the assumption that core values influence behavior (cf. Parada et al., 2020), recent studies have paid attention to religion and spirituality as a source of ethical behavior (Discua Cruz 2020; Hilary and Hui, 2009; Kellermanns, 2013; Paterson et al., 2013; Sorenson, 2013), providing room to theorize how family businesses' ethical behavior may be influenced by spirituality.

Spiritual values and beliefs can drive ethical judgment and decisions over time in family firms. Ethical leaders are considered principled individuals who make fair and balanced decisions in the workplace (Brown and Trevino, 2006), as they can be both moral *persons* and moral *managers,* who care about people and broader society. The spiritual capital of owning families, that is, "the unique knowledge, resources, connections, relationships, and devotion to a mission" (Abdelgawad and Zahra, 2020, p. 775) is an important trait that may help understand expressions of ethical leadership in family firms. More broadly defined, spiritual capital is related to "the set of personal, intangible, and transcendent resources that emanate from an individual's spiritual or religious beliefs and experiences" (Neubert et al., 2017 p. 622). For instance, an individual's moral awareness evolves out of spiritual belief

systems (Coles, 1997) and morality involving the activity of informed conscience - judging right or wrong based on principles of justice, dignity, and compassion (Doherty, 1995). Interestingly, whilst spiritual capital is known to influence entrepreneurial behavior (Neubert et al., 2017), there is still little understanding about how spiritual capital influences ethics-based decision-making in the context of family firms. Particularly, there is scant research about the antecedents of spiritual capital and how this spiritual capital can influence ethical leadership behavior.

Since spirituality calls for personal responsibility for and beyond oneself, from local to global concerns (Walsh, 2009), it is important to understand how spiritual capital manifests in family firms and how such factors spur out from personal and family beliefs into workplace practices. Spirituality is assumed to be deeply interwoven in all aspects of family life, and the manifestation of spiritual capital in workplace practices is particularly important in family firms, as there is often an unclear delineation of boundaries and roles between business and families – and the founder's moral values and beliefs often shape family firms' behaviors and business outcomes (Howorth et al., 2010).

Despite all this evidence, we still know little about how spiritual capital emerges and its manifestations in terms of the ethical behavior of family business leaders. Thus, our aim is to explore the following questions: *How does spiritual capital emerge in the context of family firms? And how does spiritual capital influence expressions of ethical leadership behavior?*

In order to answer our research questions, we draw on spiritual capital literature (e.g., Neubert et al., 2017; Zohar and Marshall, 2004) and combine it with ethical leadership research (e.g., Brown and Treviño 2005, 2006; Eisenbeis 2012) to explore this topic. We apply these perspectives to understand the experience of the Magazine Luiza S.A., a third-

generation family business group, trading for more 60 years and with more than 40,000 employees, which publicly advocates for the relevance of spirituality in the workplace. According to the Financial Times (May/31/2021), Magazine Luiza S.A. is a company that keeps fairness at the heart of big business.

Based on a qualitative approach (Leppäaho et al., 2016; Reay and Zhang, 2014), we conducted fourteen in-depth interviews with multiple generations of family members and non-family employees. Interpretative analysis was used to analyze these interviews to see how the company's spiritual capital emerged in the context of the owning family (Alvesson and Sköldberg, 2000). Based on our analysis, we propose a conceptual model illustrating various antecedents that facilitate the occurrence of spiritual capital that, in turn, influences leader expressions of ethical orientations in business practices.

Our paper contributes in the following ways. First, we extend current research on spirituality by identifying four antecedents - spiritual values, family heritage, spiritual habits, and nuclear events – that trigger and develop spiritual capital in family firms. Second, by applying an ethical leadership framework, we bridge an important conceptual gap and reveal the dynamics by which spiritual capital is manifested in family business groups. Finally, we contribute by contextualizing (Welter, 2011) our study in Brazil, a country well-known for its high level of spirituality, thus shedding light on how spirituality in a family business group in an emerging economy can influence ethical behavior.

The remainder of this paper is structured as follows: the next section introduces the concept of spiritual capital and links it to ethical leadership literature, providing a description of the antecedents of family spiritual values and orientations. We then describe the Magazine Luiza case and outline our research methodology. Thereafter, we present our key findings

and discuss our analysis and resulting conceptual model. The paper concludes with a discussion on the main contributions and limitations of the study.

3.3 Theoretical Framework

3.3.1 Spirituality, Spiritual Capital, and Family Business

Broadly defined, spirituality is an overreaching concept that refers to a dimension of human experience involving personal connection with a divine or transcendent essence (Walsh 2009), experienced either within or outside of a religious context (Chan-Serafin et al.,2013; Berger and Reddings, 2011; Zinnbauer and Pargament, 2005), through family and cultural heritage, and in connection with nature and humanity (Walsh, 2009). These transcendent resources relate to the amount of spiritual knowledge and expertise available to an individual or a culture (Zohar and Marshall, 2004).

Families play an important role in building spirituality among family members by sharing spiritual values (Discua Cruz 2015). A family's spirituality may manifest through the embodiment of spiritual values such as integrity, and in the demonstration of spiritual behavior such as caring and concern (Reaves, 2005). Transcendent spiritual values and practices foster healthy family functioning (Beavers and Hampson, 2003; Stinnett and De Frain 1985) through higher levels of family cohesion. Such cohesion embodies mutual spiritual beliefs and practices that strengthen the relationships among family members, with shared spiritual experiences strengthening family member spiritual resources. Through shared family ceremonies and rituals, stories and music, meditation and communion, family members can give rise to their spirituality (Walsh, 2009) in the form of spiritual capital.

Neubert et al. (2015 p. 622) home in on the concept of spiritual capital, relating it to a "set of personal, intangible, and transcendent resources that emanate from an individual's spiritual or religious beliefs and experiences", which may be used for economic or organizational activity. Subsequent studies have emphasized the relevance of spirituality for organizations. Table 5 shows the various definitions of spiritual capital identified through the literature review. In this study, we focus on spiritual capital as "the set of values, ethical standpoints, and visions for change held by individuals, groups, and institutions. It is shaped not only by systems and practices of belief, but also by engagement with wider sets of relationships (broadly defined) and the sense of meaning and purpose derived from work-based and other activities (sometimes referred to as the 'spirit' or 'soul' of a business)" (Stokes et al. 2016, p. 40).

Recent literature suggests that religious values and principles are key attributes that give rise to spiritual capital in family firms (Astrachan et al., 2020). For instance, Abdelgawad and Zahra (2020 p. 777), suggest that the owning family's religious identity instills family firms with unique attributes that define their spiritual capital as *"a resource that springs from spiritual habits and discipline"*. However, we contend that spiritual habits can extend beyond the codified set of espoused values and beliefs associated with religious tradition (Berger and Redding, 2011; Neubert et al., 2017). Spiritual capital can therefore be a resource accessible to all individuals in an organization through the practice of spiritual habits (e.g., prayer, meditation, rituals,), whether within or outside religious practices.

According to Middlebrooks and Noghiu (2010), spiritual capital can be expressed in the form of the following distinct outcomes. First, spiritual capital can be expressed through an individual's sense of meaning and purpose in life, wholeness, harmony, and connection with others (Neubert et al., 2017; Wright et al., 1996). Second, it can be communicated as a strong

disposition to serve others, based on the capacity that one is best suited to, whether personally or professionally (Zohar, 2010), along with personal responsibility for and beyond oneself, from local to global concerns (Walsh, 2009). Third, spiritual capital is related to an individual's intrinsic ethical and moral salience, which signals personal trustworthiness (Drakopoulou-Dodd and Gotsis, 2007). Finally, there is an individual capability to apply these spiritual dispositions to ultimately add value to business and society (Middlebrooks and Noghiu, 2010).

Transcendent spiritual resources have also been found to have the potential to shape mental models that inform motives and behavior (Baker and Miles-Watson, 2008; Chan-Serafin et al., 2013; Greenway et al., 2007), derived from a person's sense of agency for transformational change (Zohar and Marshall, 2004) applied to daily life (Greenfield, 2007; Neubert et al., 2017). Therefore, spiritual capital is a potentially important resource for family firms that is associated with other forms of capital such as human, emotional, and social capital, but encompasses more than just those qualities. On that note, spiritual capital is most likely to find expression in family firms when multiple family members promote and reinforce the family's spiritual belief system (Sorenson, 2013) in the business.

Ethical values ultimately incentivize a person or an organization to go beyond a good set of personal and collective conduct to: respond to the suffering of others; to dedicate efforts to right injustice; and to repair and improve conditions in the world (Walsh, 2009). Family business research has shown that the inclusion of morally binding values such as spiritual values fundamentally changes organizational decision-making and ethical behavior (Discua Cruz, 2013; Hilary and Hui, 2009; Kellermans, 2013; Peterson et al., 2013; Sorenson, 2013). In that regard, an implicit connection between spiritual capital and leadership is relevant to understand how family businesses can be transformed (Pawar, 2014;

Reave, 2005) and understood from an ethical lens. This discussion alludes to 'ethical leadership', which comprises aspects of the 'moral person', who preserves fairness and honesty in relationships, and the 'moral manager', who exhibits and reinforces desired and normative ethical behavior (Lemoine et al., 2019; Treviño et al., 2003; Treviño and Brown 2006). We contend that managerial practices based on ethical leadership are inherently linked to the owning family's spiritual capital, yet such connections have not been studied in contemporary business literature.

3.3.2 Ethical Leadership and Spiritual Capital

Conceptual approaches to ethical leadership, based on the work of Brown and Treviño (2006), have their origins in social-learning studies. Ethical leadership is defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown et al. 2005 p., 120). It relates to the degree of cognitive moral development in leaders and considers both the ethics of the social environment influences they are embedded in and the leader's ability to build trust among stakeholders such as followers and customers (Einsenbeis, 2012).

The application of ethical leadership concepts to organizational studies has shown its practicality for understanding leaders' behavior from a set of ethical reference points that help evaluate the ethicality of a leader's conduct and its underlying values (Eisenbeis, 2012). Ethical leadership is founded on four central ethical orientations (table 3): humaneness, justice, moderation, responsibility and sustainability, which reflect a leader's level of cognitive moral development associated with ethical decision-making (Eisenbeiss, 2012; Ashkanasy et al., 2006). These orientations are listed and further described in Table 1.

Currently, only a few studies have linked the ethical leadership dimensions to families' spiritual values and mostly, these studies allude to religious values (Çetin, 2020, Neubert et al., 2009). For instance, Neubert et al. (2009) link ethical leadership to organizational virtues at the individual level outcome, referring to virtues such as justice, love, temperance, and faithfulness, which are values encouraged by religion. Still, the authors do not explore the impact of ethical leadership on a group level or on community outcomes; neither do the authors indicate how spiritual values are linked to ethical leadership. More recently, Çetin (2020) offered an empirical investigation of Turkish family firms, and his results revealed that family member managers correlated, among other things, family cohesion and intrinsic religiosity with their ethical leadership behavior. However, Çetin (2020) does not investigate what organizational outcomes might be related to the ethical leadership behavior enacted by family member managers. Moreover, the author acknowledges the importance of addressing the differences between forms and measures of religiosity and spirituality in order to enhance the understanding of their potential impact on organizational outcomes.

Table 3: Ethical leadership dimensions

Ethical leadership	Description (a)
Humaneness	The 'humane' dimension refers to treat others with dignity and respect and to see them as ends not as means. It may be expressed by the leader's full recognition of the rights of others, their compassionateness and concerns about people's well being.
Justice	The 'justice' dimension refers to making fair and consistent decisions and not discriminating against others. It is expressed by a leader's consistent decision making, respect for diversity, and nondiscriminatory treatment of others with regard to sexual differences, nationality, religion, political beliefs, economic or social status.
Moderation	The 'moderation' dimension refers to temperance and humility and balanced leader behavior. It may be expressed by the leader's self-control, their ability to retrain emotions and personal desires, humility, as well as careful and wise attempts to find a balance between (ethically neutral or positive) organizational objectives and stakeholders interests (e.g., between short-term and long-term objectives).
Responsibility and Sustainability	The 'responsibility and sustainability' dimension refers to leader's long term views on success and their concern for the welfare of society and the environment. It is based on a leader's sense of responsibility to him-/herself and the community and may be expressed by a long-term focus on organization performance, reflection upon the impact of decisions on society and the natural environment, and consideration of the intersects and needs of future generations.

(a) Einsenbeiss (2012)

Taken together, these studies allude to the notion that religious or spiritual values are catalysts to give rise to expressions of ethical leadership in organizations. Management practices based on ethical leadership orientations, in turn, can lead to positive business outcomes, such as higher levels of ethical followers' behavior (e.g., van Gils et al., 2015; Lee et al., 2015; Lu and Lin ,2014; Mayer et al., 2010, 2013), higher firm performance (e.g., Wand et al., 2017; Kim and Thapa, 2018; Eisenbeiss and van Knippenberg, 2015; Wu et al., 2014), and a higher degree of followers' lives and family satisfaction (Zhang and Tu, 2018; Liao et al., 2014; Yang, 2014). We contend that the conceptualization of ethical leadership provides an important lens through which to view management practices that underlie the connections between the owning family's spiritual capital, their subsequent leadership behavior, and the resulting impact on employees' welfare that may impact broader society. In the remainder of this article, we use these concepts to frame our empirical study.

3.3.3 Antecedents of Spiritual Capital

We suggest that the development of spiritual capital is preceded by antecedents that facilitate its occurrence, which further guides ethical leadership practices in family firms. We describe these antecedents below.

Spiritual Values

We adopt Reave's spiritual values and practices related to leadership effectiveness in order to assess the standing of spiritual values for the family business. Reave (2005) offers a list of ten spiritual values and practices that have long been considered spiritual ideals. This list of spiritual ideals has also been widely demonstrated to have an effect on leadership outcomes (e.g., Paloutzian et al., 2003; Fry, 2005; Giacalone and Jurkiewicz, 2004). This framework

allows us to observe how spiritual values manifest in Magazine Luiza S.A.'s business practices and how they contribute to the emergence of spiritual capital. Table 4 outlines the ten value types, as well as their associated values and underlying motives.

Family Heritage

Culture, family traditions, and their legacies operate in many ways in a person's life. Family religion and spirituality, for instance, profoundly influence individual and family development, in a dynamic process that brings meaning over the life course and across generations (Hood et al., 2003). We define family heritage in terms of culture, values, religion, and a family's story, and observe how these aspects inform the occurrence of spiritual capital in the context of our single case study.

Spiritual Habits

Spiritual practices such as prayer, personal spiritual journeys, and rituals have provided comfort, support, and connection to individuals, families, and their communities over centuries. For instance, praying together offers an opportunity to connect people in a common human experience, offering the participants a sense of collective self (Walsh, 2009).

Nuclear Events

Nuclear episodes are significant events in a person's life story (McAdams, 1998). These are events, incidents, or happenings that stand out as salient proceedings in an individual's life. Nuclear events may be classified as episodes of continuity or transformation. Continuity episodes connect the present and the past through an implicit narrative line, as if to explain some aspects of a person's life or a values system. An example of this is the repetition of

rituals across generations to transfer and keep alive a family value system. Episodes of transformation, however, mark turning points in the life story of a person. For example, the loss of loved ones can bring to the fore existential questions about the meaning and significance of life that may cause substantial changes in one's life. We observed nuclear episodes in the life of our interviewees and analyzed how these significant events contributed to the occurrence of spiritual capital in the context of our case analysis.

Table 4: Universal spiritual values and their association with ethical dimensions (a)

Value types	Associated values	Underlying motivations
Integrity	Trustworthiness, meaningfulness, ethical influence	Consistency between the leader's inner values and outer behavior
Honesty	Self-awareness, honest communication	Capacity to see and communicate things as they are, free from subjective distortion
Humility	Modesty, restraint, humbleness	Sense of a higher purpose without ego or pride - the 'greater good' must be greater than the leaders themselves
Respect for others	Altruism	Value congruence between the follower, the leader, and the organization
Fair treatment	Justice, fairness, care, concern	Treating others fairly is a natural consequence of viewing them with respect
Caring and concern	Empathy, wamth, kindness	Attention to the needs of others
Listening responsively	Openess, accessibility, proximity	Acknowledging other's people needs and concerns, recognizing and respecting good ideas
Appreciation of others	Gratitude, compassion, praise, rewardingness	Public recognition and value of other's people work, efforts, achievements
Reflective practice	Emotional self-awareness, to be aware of a greater objective in life, higher states of conciouness, sense of transcendent meaning surpassing both the individual and the situation	Taking time for self-examination, to gain greater perspective to overcome crises and cope with stress

(a) Based on Reave (2005)

3.3.4 Context of Study: Brazil

Research on ethical leadership and family firms is scarce and mainly contextualized in developed countries (Çetin, 2020). We address this gap by focusing on a developing country, Brazil, a country where most businesses are owned and managed by families. Recent studies have called for contextualizing studies, particularly in Latin America (Parada, Müller and Gimeno, 2015), due to the idiosyncrasies of the region and of each country. According to KPMG (2021), 90% of the companies operating in Brazil are family firms. They account for more than half of Brazil's gross domestic product and employ about 75% of the Brazilian labor force. Despite its economic relevance, there is little research on family firms run by women in Brazil (Welsh et al., 2018).

Gender Inequality

Brazil is generally perceived as a country where differences between men and women are significant (Hofstede, 2001). Women often receive payment of a fifth less per hour for work than that of a man in equal occupations, despite having equivalent or higher education levels (Proni and Leone, 2013; Agência IBGE, 2019; Human Rights Watch, 2018; Lazzaretti et al., 2013).

Gender inequality in Brazil is rooted in cultural and social norms. Historically, Brazilian women have been discriminated against not only in terms of wages, but also in their employment opportunities and career advancement. Prior to the 1960s, a woman could only work with her husband's or father's approval (Figueira, 1986), and it was only in 1988 that the Federal Constitution recognized equality of rights and obligations between men and women (Rocha and Proni, 2018). Although there have been changes to improve gender equality in Brazil, the country is still seen as a patriarchal country where gender stereotypes

exist and women suffer discrimination. In a similar vein, and according to Jimenez (2009 p. 54), “family firms are not immune to this discrimination or these stereotypes”. Research shows that women in family businesses also face discrimination bias by gender (Star and Yudkin, 1996; Dumas, 1992). The contribution of women to their family firms remains in the shadows (Cole, 1993, 1997) because women often take on roles with less visibility, such as assistant or secretarial work, or they simply remain outside the firm, taking care of domestic and family life (Frishkoff and Brown, 1993). The appointment of a woman as a successor, for instance, is rarely taken seriously - the male child is often preferred to take over the family business (D’Arquer, 1992; Llano and Olguin, 1986). Women, we observe, may play an important role in the development of spiritual capital in an organization.

3.3.5 Case Description and Selection

Magazine Luiza S.A is a third-generation publicly-traded family firm operating in the e-commerce and retail industries. It was founded in 1957 in the small city of Franca, in the state of São Paulo, in Brazil. At the time of the study, the retailing powerhouse is valued at more than $23bn; it has 1,310 stores and 47,000 staff. Magazine Luiza S.A. has been chosen for this study for two reasons. First, the company has been consecutively recognized by its employees as one of the best companies to work for, according to the Great Place to Work Institute, over the last 25 years. The company presents itself in the public sphere, for instance in television interviews, as a place where employees are respected and provided with a comprehensive welfare scheme that goes far beyond what is required by law. It is also regarded as a place where employees are continually offered opportunities to develop themselves inside the company. Second, at the time of the study, the company has been in business for more than 60 years under the management of the same family. The two original

shareholding families still own 58 per cent of the company. Magazine Luiza is currently led by the third generation. Nonetheless, two previous CEOs, Ms. Luiza Helena Trajano and Mr. Marcelo Silva (ex-non-family CEO) remain highly involved in the company as chairperson and vice-chairperson of the board of directors, respectively. This is remarkable, as it increases the likelihood that the family values transferred from the founders remain 'alive' in the organization. Two generations of the founding family were interviewed, along with long-term non-family employees who have been working for the company for more than 35 years, providing the study with a multigenerational database that has spanned the history of the company. This offered the opportunity to study intergenerational and intrafamilial processes, where family and non-family employees were instilled into the culture of the family and its business.

Feminine Soul

Magazine Luiza S.A. is an exception to gender stereotypes in the workplace for three reasons. First, the company promotes gender equality and provides unique opportunities for career advancement for women. The firm believes that the female employee is the protagonist of her career within the firm. For instance, female employees are highly encouraged by the company to undergo a *Manager in Training Program,* specifically designed for women who want to become store managers. The company also offers an in-house technology-training program exclusively for women - *The Luiza <Code>* - to develop the next generation of tech leaders. Second, Magazine Luiza S.A. is known for having a *feminine soul*. More than half of the staff of the company is made up of women. Magazine Luiza S.A. is the Brazilian company with the highest concentration of women on its board of directors. Third, Magazine Luiza S.A. is committed to ending violence against women. In 2017, one of the company's

managers was stabbed to death by her former partner. As a response, the company launched an internal service (the *Women Channel*) to assist female employees who are victims of domestic violence. This channel has trained staff to be ready to activate a comprehensive support system, including legal support, health professionals, and even family relocation if necessary. Since its launch, the channel has provided support for more than 400 employees. According to the American Quarterly (2020), the COVID pandemic has sent the project into overdrive, with Magazine Luiza S.A. increasing its reach to help customers in abusive households. For instance, the company's app, which counts more than 26 million registered users, has a button that enables users to call the police's hotline directly while they *pretend* to be shopping online.

Luiza Helena Trajano is a vocal advocate for women's rights. Reflecting her strong interest in social issues, in 2013, Trajano created *Mulheres do Brasil*, a nationwide women's network, to promote female empowerment. The network, with more than 100,000 women affiliated, aims to discuss and influence public policies and also to increase females' participation in society, along with addressing other social needs (e.g., women's rights, social inclusion of marginalized people, racial inequality).

Brazil is an interesting context in which to study spiritual capital and ethical leadership for various reasons. On the one hand, Brazil is well-known for its strong spirituality. Brazil is the most spiritually diverse country in Latin America, thanks to African influences related to slavery and also from large migration from Asia, Europe, and the Middle East (e.g., Rabelo and Pilati, 2021; Moreira-Almeida et al., 2010). On the other hand, Brazil is among the countries with the most extreme levels of inequality between rich and poor people (Assouad et al., 2018), which brings to light the lack of organizational practices to promote low-ranking employees. Moreover, ethical leadership is seldom observed in countries where corruption and

power are important elements in organizational life. Therefore, Magazine Luiza S.A. is an exception on various fronts, and women's leadership seems to play an important role in how spirituality influences leaders' expressions of ethical leadership.

3.4 Methodology

Answering 'how' and 'why' questions require examining and articulating phenomena from the perspective of those studied (Pratt, 2009). The intersection of ethical leadership and spiritual practices needs to be studied where it happens, and where it can reflect the experiences of those involved. As our interest was in exploring and interpreting the development of ethical leadership and spirituality in a family firm, a single case study research was ideal (Stake, 2008; De Massis and Klotar, 2014), as detailed and in-depth insights from those involved directly in the way a firm operates, which could illustrate the way spirituality influences managerial practices, was needed (Miles et al., 2013).

Single case studies provide a nuanced, empirically rich, holistic account of specific phenomena in detail, and offer rich insights when focusing on complex processes in family businesses (Barbera et al., 2018; Reay and Zhang, 2014), particularly when understanding the elusive aspect of how ethical practices develop in family firms influenced by spiritual values (Discua Cruz, 2020). Therefore, our research focuses on a single organization, seeking a holistic view of the family business and its members studied in its context (Tight, 2017), shaped by an approach that relies on narrative, phenomenological descriptions (Hamilton, Discua Cruz and Jack, 2017).

The interest was to find a family firm that engaged in ethical leadership, consistent with the research aim of understanding the influence of family values and beliefs in such

developments and the role of spiritual capital. Brazil represents a context where multiple forms of spirituality and religion have developed over time (Rabelo and Pilati, 2021), yet it is seldom explored or associated in regard to its influence on ethical business practices, as it is often taken for granted. Moreover, whilst Brazilian firms are not encouraged to report on how any ethical practices are influenced by spirituality, nor is it mandatory for them to engage in any kind of formally recognized effort to disclose the influence of spirituality in addressing ethical concerns, recent accounts herald the implicit, yet under-researched, influence of spirituality in ethical leadership in emerging economies such as Brazil (Goswami and Goswami 2021).

As detailed information is difficult to obtain from Latin American family businesses (Jones, 2004), access was procured through family and professional relationships. In 2019, a prominent family firm, called Magazine Luiza S.A., was purposefully chosen, because it fulfilled the definition of a family business (Howorth and Robinson, 2020), and is consistent with the definition of ethical leadership described earlier. It offered insights that could expand theoretical understandings in terms of values (Astrachan et al., 2020) and ethical leadership. Magazine Luiza S.A. is recognized as an example that illustrates the growing interest in ethical leadership, therefore it provides an opportunity to refine knowledge (Eisenhardt and Graebner, 2007) about this particular topic.

3.4.1 Interview and Data Collection

Data collection was undertaken using semi-structured interviews and was conducted in Portuguese. The lead author's deep knowledge of the Brazilian context and culture, acquired by having lived and worked in a family firm in Brazil, helped to break the ice and to create trust and openness with the people in our study.

Phenomenological interview guidelines facilitated unrestricted accounts about the ethical leadership practices in the family firm (Hamilton et al., 2017). Interviews were held with family and non-family executives at company premises, and they began with the open-ended invitation to "tell us your story with Magazine Luiza", allowing the participants to recount in their own words their most important memories of themselves in the context of the organization's history. This type of opening interview is commonly used in 'life-story' research (McAdams, 2008). We followed this by asking questions, using a pre-defined interview guide. It is important to explain that our interviews were not intended to capture aspects of spirituality of the organization. Originally, the research project aimed to study the professionalization process and the development of governance structures at Magazine Luiza S.A.. Therefore, we did not prepare our questions to capture dimensions of spiritual capital, or how they influenced the business. Rather, at the time of the initial interviews, these concepts became evident during the interviews. Family and non-family members were discussing the influence of rituals and diverse spiritual practices in the ethical leadership of the firm. The interviews hinted at the importance of several spiritual dynamics to ethical leadership.

Two rounds of interviews were conducted. The first round took place in May 2019, during a five-day visit to Magazine Luiza's headquarters in São Paulo and to the subsidiary office in the city of Franca, both located in the state of São Paulo. The second round of interviews was conducted in March 2020, also at the company's headquarters in São Paulo. Data collection happened prior to the COVID-19 pandemic. The first author conducted all the interviews with interviewees who were selected by the family owner and chairperson of the Board, Luiza Helena Trajano. The interviews (see Table 5) were audio-recorded and later

transcribed verbatim for analysis. A total of 14 interviews were conducted. This allowed follow-ups on emerging themes (Patton, 1990).

A range of different data elements and secondary data were collected for triangulation (Reay and Zhang, 2014; Yin, 2018). To triangulate the data collected by the interviews, we collected secondary material such as magazine and newspaper articles, television interviews, social media postings, as well as information published on the company's website, as evidence of a public narrative of the history of the family business. We also collected additional material such as the company's code of ethics, the company's policies, the company's financial statements and business case studies previously published about the company.

Table 5: List of interviewees

Interviewee	Generation (relationship with founders)	Position in Magazine Luiza (at the time of interview)	Core interview Length	Follow up interview Length
Luiza Helena Trajano	2nd (niece)	Chairman of the Board and Former CEO	1 h 23 min	52 min
Frederico Trajano	3rd (grandnephew)	President and CEO	37 min	
Fabricio Garcia	2rd (son)	Vice President	39 min	
Marcelo Silva	Non-family employee (since 2009)	Vice Chairman of the Board and Former CEO	1 h 33 min	47 min
José Antonio Palamoni	Non-family employee (since 1966)	Holding Director	39 min	
Carlos Donzelli	Non-family employee (since 2009)	Holding Director	1 h 14 min	
Telma Rodrigues	Non-family employee (since 1985)	Human Resources Director	1 h 5 min	
Fabio Costa	Non-family employee (since 2014)	Senior Social Responsibility Manager	1 h 37 min	1 h 11 min
Adriana Cintra	Non-family employee (since 1987)	Corporate Manager of Culture	1 h 7 min	
Ana Luiza Herzog	Non-family employee (since 1987)	Corporate Manager of Reputation and Sustainability	1 h 8 min	59 min

3.4.2 Data Analysis

Following data collection, this study started by independently examining the data in interviews, observation notes, and documents. Then, a coding process was carried out by

reading and re-reading transcripts, notes, and documents, and then using codes in sentences or paragraphs to organize data (Figures 6 and 7). Once the coding was completed, data were organized to identify emerging themes. The interpretation of emergent findings was discussed with participants to gain their perspectives and inform ongoing analysis.

In analyzing the data, experience of the local culture was important, as was experience in participating in, consulting, and working for family businesses, because both factors helped to increase understanding and confidence in analysis (Hamilton et al., 2017). Finally, the findings were 're-contextualized' by comparing them to arguments in existing literature. Figure 6 and Figure 7 summarize the data coding, themes, and concepts that emerged in the process. The data in tables support the key themes emerging from the analysis (Pratt, 2009). Compelling excerpts from the data were used to illustrate arguments. Such an approach was undertaken to increase transparency and address validity (Gibbert and Ruigrok, 2010). To address reliability, a case study protocol and the development of a case study database was used (Yin, 2018).

We used a combination of inductive and deductive approaches, as well as corresponding narrative notes, to analyze and present the interview data. Our narrative notes complemented the inductive and deductive thinking by noting the use of specific language to bring the reader closer to the concepts being studied (Bansal and Corley, 2011). The analysis was informed by prior theoretical understanding of ethical leadership and spiritual capital dimensions. This did not occur simultaneously, as we first identified the organization's antecedents (as outlined in Fig 5) underlying the individual dispositions of spiritual capital, and second, we asked ourselves: How have these spiritual dispositions enabled expressions of ethical leadership? We then revised our data and employed the four dimensions of ethical leadership to interpret how spiritual capital shaped the organization's behavior, which

stemmed from individuals' spiritual values and habits, family heritage, and life events. This analysis is presented in the findings section. In sum, our narrative notes ascertain: (1) how individual antecedents informed the development of spiritual capital; and (2) how these antecedents influenced the organization's ethical leadership approach behavior. In the following section, we present our narrative notes, using selected quotes and our associated interpretations, which, taken as a whole, led us towards a conceptual model (Fig 5) of how spiritual capital is created in family firms and how this influences expressions of ethical leadership.

3.5 Findings

The aim of this study was to understand how spiritual capital influences ethical leadership behavior in family firms. In doing so, we observed antecedents that are likely to affect the development of spiritual capital that, in turn, leads to practices and behaviors grounded in ethical leadership.

3.5.1 Deciphering Key Antecedents of Spiritual Capital

Through our data analysis, we observe four antecedents of spiritual capital: spiritual values, spiritual habits, family heritage, and life events. These four antecedents were foundational to the emergence of spiritual capital at Magazine Luiza S.A. For example, the awareness in both family and non-family employees of a high level of spirituality inside the organization is a cornerstone of the company's activities, as Adriana stated:

> *The spirituality of the company makes all the difference...for instance, when someone has a problem [health, death in the family]...we [the employees] unite in favor of a greater intention to strengthen this [existing] following of spirituality, so that there is protection and spiritual direction [to address the problem] (Adriana Sintra, March 2020).*

The above suggests that the value of *caring and concern for others* draws employees together in faith during difficult circumstances. This symbolic behavior connects both family and non-family employees, enhancing their *spiritual closeness* and also their *sense of agency for a positive outcome*. We also see evidence of this *spiritual closeness* among the family employees, who are linked to their family's heritage. Fabricio explained:

> *My grandmother worked here. When I was born, my father was working here and, when my father passed away, I was working here. We [the family] get along very well and we never had any conflicts, thank God (Fabricio Trajano, May 2019).*

The above shows that Fabricio attributes to a higher spiritual belief (God) the closeness among his family members. His meaningful spiritual belief, partly attributed to God, is also suggested as the reason for the absence of conflicts in the family. His words reflect the values of *appreciation* and a *sense of connection* among the family members.

Family employees particularly attributed the emergence of their spirituality to the early death of loved family members. For instance, Luiza Helena reflected on the sudden passing of her mother, husband, and cousin:

> *I had losses too early in my life. I lost my mother early, then my husband suddenly passed away, and I also lost my cousin, who was like a brother for me... These [losses] forced me to mature younger. They [the losses] also made me more evolved spiritually (Luiza Helena Trajano, May 2019).*

The untimely losses that Luiza Helena experienced seemed to have drawn her closer to her spirituality. Through being forced to cope early in life with the precariousness of life and the disruptions wrought by death, Luiza Helena seemed to have given meaning to her losses by reflecting on her personal growth. The sense-making of her losses suggests that the value of *reflective practice* is foundational to her spirituality and faith. This was explicitly connected with Luiza Helena's evident *sense of agency for transformative change*, as she stated:

> *I was raised to be the protagonist [of my life]…I never feel sorry for myself. This helped me to become stronger... I'm not religious, but I [believe that] I had some [spiritual] help because the way of how things happened [in my life] (Luiza Helena Trajano, May 2019).*

After Luiza Helena commented on being raised to be the protagonist of her life, she recounted a passage where a closer and beloved family member, on one occasion, asked how was it that she could constantly endure the difficult encounters of her life? Luiza Helena stated:

> *I think I have an intelligence to capture the good things and to learn…and I have a lot of faith. Indeed, I admit [that] I have a lot of faith (Luiza Helena Trajano, May 2019).*

Consistent with her faith and during Luiza Helena's tenure as the CEO, she introduced a workplace practice known among the employees as a *communion ritual* - a gathering that happens every Monday, where employees receive the latest updates and hold hands to pray together. We see that this weekly *spiritual ritual* of praying together is evidence of a collective expression of faith instilled in the business group by the owning family's spirituality, and this has helped them to realize the values of *meaningfulness*, *gratitude,* and a *sense of transcendent meaning*.

3.5.2 Expressions of Spiritual Capital Through Ethical Leadership

Organizational Values Linked to Spiritual Capital

Our data analysis suggested that the source of Magazine Luiza S.A.'s organizational spiritual capital was ultimately linked to the owning family's spiritual values. For example, Marcelo's (ex-non-family CEO and actual vice president of the board) remarks establish a strong link between the family's *ethical and moral salience* and the organization's core values:

> *Integrity is a core value here…we make sure that our actions are always based on ethical, moral, and legal principles… these values come from the family, they are the foundation of the family (Marcelo Silva, May 2019).*

Further evidence of how the values of the family are incorporated into the business is the company's declaration of its values and principles, which are communicated not only internally to employees but also to customers, partners, and the wider community. This declaration is based on four elements that signal the family's values: respect, development,

and recognition (i.e., 'appreciation of others'); simplicity and freedom of expression (i.e., 'humility'); innovation and braveness (i.e., 'respecting good ideas'); faith (i.e., 'belief in a Divine Being').

Similarly, as Adriana (a non-family director) suggested, the family's values originated from the founders of the company, persisted over time, and were adopted by the firm:

> *The roots...we don't forget our roots, we hear the past, we look at our tradition...we honor and we are not ashamed of our origins. We have signs in our office in reference to the streets of Franca [the city where the company was founded]...as a continuous reference to the values of the past (Adriana Sintra, March 2020).*

Here, Adriana acknowledged the consistency between the family's inner values and the outer behavior (i.e., 'integrity') as being present in Magazine Luiza S.A. since its foundation. These values have been incorporated into organizational values by continuously communicating them to the employees.

The Humane Dimension as a Duty of Care

The humane orientation refers to treating others with dignity and respect, and to see them as ends, not as means (Eisinbeis, 2012). To this end, which is especially noticeable at Magazine Luiza, is the organization's level of compassion and care towards the employees. This is evidenced in Marcelo's reflection on the 'employees first' approach followed by the company, where employees receive a comprehensive welfare scheme - extended to their families - that goes far beyond the legal requirements in Brazil. These benefits are listed and

are further described in Table 4. As a result, Magazine Luiza S.A. has inspired employee loyalty over the years, as recounted in Palamoni's words:

> *I have been with the company since 1966…human relationship is the main element [here]… Luiza Helena is a very human-oriented person. She cares a lot about people (Palamoni, April 2019).*

Magazine Luiza S.A.'s approach to the well-being of the employees was noted at different levels of the organization and reflects the values of *care and concern* and *appreciation of others.* Ethical leaders are essentially concerned about protecting the interests of their employees (Lemoine et al., 2019). Reinforcing this evidence, the code of ethics of Magazine Luiza S.A. details that it is forbidden to "discriminate against any person on the grounds of race, color, religious belief, gender, sexual orientation, social level, or political ideals".

Consistent with the code of ethics, our interviews reported a high level of awareness of their right to dignity, not only as an employee but also as a human being. For example, Fabio (a non-family director) describes a case of non-discrimination against sexual orientation:

> *One of our female employees realized that she had felt like a man since when she was a child, but that her family didn't accept it…but it was about time for her to make the transition. From then on, the company gave her a new uniform, a new badge with the name David on it, and offered him all necessary support inside and outside the organization (Fabio Costa, March 2020).*

In his description, Fabio highlighted how the spiritual value of *respect for others* was consistent with the code of ethics and with managerial practices towards the employees. Fabio also drew attention to the organization's altruistic (rather than selfish) motivation to promote the well-being of employees with disabilities:

> *We help in every possible way our employees, especially the ones with disabilities. They receive all equipment and structure they need to work well. For instance, I'm deaf and I have my whole working space designed and equipped to my needs…also, if they [employees with disabilities] need prosthesis but can't afford to pay…we make a donation and pay for it….all employees must bear a small percentage of their health insurance…but for employees with disabilities, this is free of charge (Fabio Costa, March 2020).*

Fabio's personal example represents the value of *caring and concern*, as it reflects the organization's attention to fulfill the needs of others. Expressions of *humane orientation* of ethical leadership emerged as a core dimension at Magazine Luiza, fundamentally reflected into its values, describing the organization as a place where "people like people". This is also evidenced in Luiza Helena's reflection on the organization's humane orientation - "if you don't like people, you can't work here", which alludes to how this orientation may be fundamental to express other dimensions of ethical leadership: justice, moderation, and responsibility and sustainability.

Justice Dimension Linked to Fairness

One of the components of justice orientation at the organizational level relates to how employees perceive fairness towards their employers. Perception of fairness is a core virtue in moral philosophy (Rawls, 1971), and it is built upon consistent and non-biased decisions (Colquitt and Greenberg, 2003). Justice is particularly important in employee evaluations and in role-modeling leadership behavior (Scandura, 1997). Leaders who engage in fair, transparent, and caring actions become a source of information about proper conduct, and a target of association and emulation (Brown et al., 2005)

We observed that the family's value of *fair treatment* led to an equality norm, an important dimension of justice, which was evidenced, for instance, by how Frederico (the actual family CEO) expressed the importance of equality of treatment among family and non-employees to create a fair working environment:

> *A family employee can't have a castle of inherited privileges…as a family employee you have to be equal to everyone, play by the same rules, follow the same rituals, have the same incentives and receive the same punishments as any other employee in the company (Frederico Trajano, March 2020).*

Here, Frederico implied that by virtue of his position in the hierarchy as the company CEO and as a family member, he effectively modeled a normative behavior of equality among all employees. Leaders are particularly observable, and they may focus on specific actions to make an ethical message noticeable enough to stand out in the company context (Brown et al., 2005). Employees also pay close attention to behaviors that are rewarded and punished (Arvey and Jones, 1985; Kanfer, 1990; Treviño, 1992) in a fair way, because they inform the

benefits of the modeled (ethical) behavior and the costs of inappropriate behavior. Therefore, another element of ethical leadership is accountability for ethical standards (Colquit and Greenberg, 2003), allowed by the structuring of fair working environments that rule out positive and negative outcomes for normatively appropriate versus inappropriate behavior (Brown et al., 2005). Similarly, Magazine Luiza S.A. has established a comprehensive set of policies on ethical conduct (Code of Ethics and Conduct; Anti-Corruption Manual; Company's Internal Policies and Procedures) to ensure that all employees receive a full education on the company's ethical standards. Employers are held accountable for their ethical conduct at Magazine Luiza. As such, Magazine Luiza S.A.'s leaders have the opportunity to create a just environment by making decisions that are perceived by employees to be fair. This was evidenced when Marcelo explained how one employee was rehired when they found out that he had been wrongly dismissed:

> *It has happened in the past that an employee was unfairly dismissed and then rehired, when it was found that his dismissal had been unfair (Marcelo Silva, March 2020).*

The above shows that leaders do influence the ethical conduct of employees via modeling, by engaging in behavior that is seen as normatively appropriate (e.g., treating employees fairly). Accordingly, ethical leaders convey ethics messages by engaging in explicit ethics-related communication and by using reinforcement to support the ethics message (Brown and Treviño, 2006). Reflecting the importance of conveying behaviors of honesty, consideration, respect for others, and fair treatment of employees, Ana (a non-family director) commented:

> *Our leaders expose themselves a lot and talk a lot about ethics, reinforcing topics of [organization's] values and culture; honesty…For instance, there is an expression here that says: "we don't score a goal with the hands"... [Our] leaders are, all the time, talking about it [expected ethical standards] (Ana Luiza Herzog, March 2020).*

Here, Adriana acknowledges that Magazine Luiza S.A. explicitly communicates to the employees spiritual values of *fairness* and *openness*. They constantly draw attention to the importance of having ethical conduct and making it salient in the organization's social environment.

Moderation Behavior Linked to Balanced Decisions

Leader moderation orientation reflects leaders' attributes of humility, embracing diversity, and balanced behavior in achieving the organization's goals (e.g., financial profits) and the social goals within the wider community (Eisenbeiss 2012). This may be, for instance, managing short-term results with the company's longer-term goals and, in the case of family firms, balancing the interests of the family with the needs of the business. A recurring theme from our interviews was the balance between the organization's purpose and the shareholder's expectations, as reflected in these quotes from Luiza Helena:

> *… I constantly hear that Magazine Luiza is a company only focused on its purpose… as if we were an NGO that doesn't make profit. If I were only focused on purpose, the company wouldn't be worth R$140 billions…I have always thought that I have a purpose and I have to make money (Luiza Helena Trajano, March 2020).*

This comment alludes to the influence that a *sense of a purpose and direction* (e.g., service to a greater good) had on Luiza Helena's position as a family owner, balanced with her respective organization's and stakeholder's interests. Our analysis also indicates that Magazine Luiza emphasizes workplace diversity, as Adriana (a non-family director) explained:

> *The company is diverse, it is inclusive, but it can do more. Luiza Helena is an ambassador of this theme [diversity]…we [know] that we can do more, and we are expected [by our employees] to do more (Adriana Sintra, March 2020).*

Reflecting the spiritual value of *listening responsively*, Adriana pointed to a recent internal survey conducted with the employees that explicitly showed that the employees expect that Magazine Luiza will increase its diversity level, for instance, in terms of racial diversity:

> *She [Luiza Helena] wants [to implement] a quota [system]…she does believe in quotas. She is very, very worried about the current racial gap [in the organization]. This is what bothers her the most today, so we will probably have more concrete measures to soon increase the number of black [employees] (Ana Luiza Herzog, March 2020).*

Magazine Luiza announced last year that it would reserve all the places in its highly sought-after graduate training scheme for black applicants, in an effort to develop future black senior managers. Despite accusations on social media of reverse racism, the company went ahead and selected 20 black trainees from almost 20,000 applicants: other companies followed suit.

As a result, last year, Magazine Luiza S.A. launched a national sought-after graduate training program for black applicants in an effort to develop future black senior managers. According to the program's website, "Innovative stories happen through transformation, and transformation only happens through access. We want true equity through the richness that exists in diversity." Magazine Luiza S.A. was the first company to launch a program of this kind in Brazil, and other companies have followed suit. The values of *justice, honesty,* and *humility* were enacted when Magazine Luiza S.A. decided to correct the racial gap it encountered in its workplace, when the company decided to train black employees to take on leadership positions.

Workplace diversity in terms of ideas, culture, ethnicity, and gender can enhance firm capability in learning and promote a greater range of ideas and perspectives (Wang et al., 2017; Cantwell and Mudambi, 2005). The family's openness towards recognizing and respecting good ideas have been reinforced across generations. For example, Frederico (family CEO) recalled when the company embarked on a digital transformation journey, shifting the company's business model from a traditional retailer to a digital company:

> *There was a lot of questioning from [many and external] stakeholders…but she [my mother Luiza Helena] has always been very outside the box and innovative…she always had an entrepreneurial mind. Maybe because she is a woman, I don't know…but I think it is her characteristic to be very open to new [ideas] (Frederico Trajano, May 2019).*

The family's moderate attitude, reflected in the values of *humility* (e.g., modesty), *openness* (e.g., a broader perspective) and *reflective practice* (e.g., balance), is similarly reflected in

one of the principles of the company's Code of Ethics: 'simplicity and freedom of expression'.

Responsibility and Sustainability as a Legacy

Leader responsibility and sustainability orientation creates an organization focused on long-term success and concerned about the welfare of the wider society and environment (Eisenbeiss et al., 2015). Our interviews indicated that there is a sense of legacy among the family that instills a long-term focus on growing and preserving the organization within the family. There seemed to be closeness among the family members that supported the intention to stay together as a family business:

> *She [Luiza Helena] has a great respect for everyone in the family and a great concern that we [the family members] preserve the company (Fabricio Trajano, May 2019*).

Their sense of legacy exhibited an *appreciation of others*, as if expressing recognition of the previous generation's work and achievements that may help the pursuit of future endeavors to achieve long-term business goals. To this logic, Fabricio spoke of the family's sense of legacy expressed by the actual family CEO when he took over the company from his mother:

> *He [Frederico] said that our mission [as a family] is to grow a company that will last at least 100 years.*

Ethical leaders also reflect on the impact of their behavior on society and the environment (Kanungo and Mendoca, 1996), and how their actions reach beyond their self-interest and account for the long-term viability of interconnected living systems (Eisenbeiss, 2012).

Most recently, Ms. Trajano has launched an initiative called United for Vaccine, to mobilize civil society to speed up inoculations in Brazil, a country with one of the highest numbers of COVID deaths in the world. She has reached a politician kind of level of popularity in Brazil and has been using her image to raise awareness about the importance of the vaccination to stop the spreading of the virus. Three years ago, she stepped back from the day-to-day operation of Magazine Luiza to spend more time on social projects. Ms. Trajano is determined to change a country profoundly marked by social injustices by helping to build an organized and well-connected civil society.

Table 6: Employees benefits at Magazine Luiza S.A.

Benefit	Description	Target	Required by law
Scholarship programs ('Programa Saber Luiza')	Scholarship sponsor to cover tuition of education programs (bachelor's, master's, language, executive or technical courses)	All Employees	No
Women's leadership program ('Carreiras para mulher')	Six months development program to accelerate career progression/transition of women into leadership position	Female Employees	No
Access to the office's gym ('Aulas na academia')	Subsidised gym membership which includes free classes during working hours	All Employees	No
Nutritional plan ('Medidas com a Luiza')	Program to encourage employees to practice physical activities and to make their eating habits healthier	All Employees	No
Flexible working hours ('Horario flexivel)	Employees can negotiate with their teams a way to compensate for hours absent from work (studies, personal matters etc) schedules. The schedule is also flexible for fathers and mothers, to enable commitments to their children to be kept (school meetings, appointments, among others)	All Employees	No
Basic medical check-up ('Exame periodico')	Free basic physical revision - annually	All Employees	No
Full Medical Check-up ('Check-up para a diretoria')	Free annual medical check-up	C-level Employees	No
Mother's Cash ('Cheque mãe')	This is a monthly financial benefit to help with the costs of raising children	Employees with children below 18 years old	No
Special Education's Check ('Cheque educação especial')	This is a monthly financial benefit to help with the costs of raising children with disabilities	Employees with disabled children regardless of the age of the child	No
Funeral Care ('Garantia funeral')	The company reimburses funeral expenses for the employee or their legal dependents up to a limit	All Employees	No
Health Insurance ('Plano de saúde')	The company offers a corporate health plan for all employees and their legal family, their spouses and children, paying 50% of the cost of the insurance	All Employees	No
Health Insurance for employees with disabilities ('Plano de saúde para empregados com deficiencias')	The company covers 100% of the health insurance for disabled employees	Disabled Employees	No
Psychotherapy Aid ('Auxilio para psicoterapia')	Employees who need psychotherapy sessions can count on the aid of up to 50% of the monthly fees. In more serious cases, the benefit can be extended to family members	All Employees	No

Benefit	Description	Target	Required by law
Pharmacy Aid ('Auxílio para gastos com farmácia')	This benefit extends to the employee's family is the Pharmacy Aid. With it, the purchase of medicines can be fully subsidized by Magazine Luiza, through reimbursement	All Employees	No
Dental Insurance ('Assistência odontológica')	Dental insurance extended to fathers, mothers, in-laws, brothers and sisters-in-law, and children over the age of 18	All Employees	No
Mother and Baby Aid ('Mamãe e bebê')	Reimbursement of the medical expenses related to prenatal care; telephone follow-up during the gestational period by a specialized team in case of risk pregnancy	Female employees	No
Consigned Loans ('Empréstimos consignados')	Consigned loans are evaluated and granted at low interest rates	All Employees	No
Private Pension Plan ('Plano de aposentadoria')	Complementary pension plan to the Social Security, which aims to ensure greater financial stability during retirement	All Employees	No
Personal Donation ('Doações')	This benefit considers the employees 'needs': financially, emotionally and 'psychologically' making the necessary resources available so that the employee can resume their normal activities	All Employees	No

3.6 Discussion and Contribution

The aim of this paper was to understand how spiritual capital influences ethical leadership. The analysis of the Magazine Luiza case reveals that the antecedents of spiritual values, family heritage, spiritual habits, and nuclear events play a key role in developing spiritual capital and, ultimately, influence ethical leadership behavior at the organizational level. Specifically, our narrative notes show that these elements translate from the personal (family/individual) to a more collective level (business) via explicit practices (leader expressions of ethical orientations). Our study, therefore, highlights two important stages by which these antecedent factors shape their business practices: (1) the occurrence stage, via assimilation of antecedent factors, which leads to the occurrence of spiritual capital; and (2) the transmission stage via ethical leadership, which leads to leader expressions of the central

ethical orientations. Figure 3 summarizes our conceptual framework and highlights the underlying stages through which the expressions of ethical leadership orientations occur.

Referring to the first stage, family and individual spiritual practices, along with personal experiences over the life cycle, seem to function as antecedents that are likely to affect the emergence of spiritual capital and further motivate individuals - and organizations - to meaningfulness, and be driven by a sense of purpose and direction to serve others in an ethical and moral salience.

Referring to the second stage, spiritual capital serves as a source that captures personal and family antecedents that are translated into leader expressions of central ethical orientations.

Ethical leaders are essentially concerned about protecting the interests of their stakeholders, particularly their employees (Lemoine et al., 2015). The leaders at Magazine Luiza were indeed ethical leaders, as they led the organization, by word and action, in accordance with the owning family's spiritual values. In particular, we observed manifestations of their spiritual capital in the managerial approach towards the employees' welfare (table 6). As the family's spiritual values and practices were cultivated and reinforced within and across generations, their ethical leadership was consistently reflected within their business. In particular, the focus on people, fairness, and respect of others were values evident in Magazine Luiza's business culture, especially in its engagement with their employees. The conceptual framework presented in figure 5 contributes to our understanding of antecedents and outcomes of spiritual capital in family businesses and has important theoretical and practical implications.

With regard to theory, our study contributes to understanding the role of spiritual capital as a precursor to ethical leadership. First, we contend that spirituality is an important

basis for the occurrence of spiritual capital. Relating this understanding to family businesses, where family and business behaviors are interwoven, the family's spiritual belief system may play an important role in influencing decisions at the business level. In fact, shared family spirituality can be a key enabler of ethical leadership orientations that, in turn, may positively impact the life of the employees, especially low-ranking employees (Werner and Lim, 2016).

Previous studies have focused on spirituality in family businesses in diverse forms; most of them have paid attention to it from a religious point of view, suggesting how religion influences such spiritual capital (e.g., Astrachan et al., 2020; Abdelgawad and Zahra, 2020), or how spiritual capital has an impact on management practices such as innovation or performance (e.g., Neubert et al., 2015). Our study expands current literature on spiritual capital by shedding light on possible antecedents of spiritual capital. These include shared spiritual values across members and generations, spiritual habits emphasizing the importance of rituals and other events that cultivate such spirituality, nuclear events that mark people's lives and develop their spirituality, and family heritage. The antecedents that emerge in this study go beyond religion, thus complementing previous studies in that sense. Our findings also expand current knowledge on spiritual capital by providing outcomes in terms of ethical leadership practices that go beyond performance.

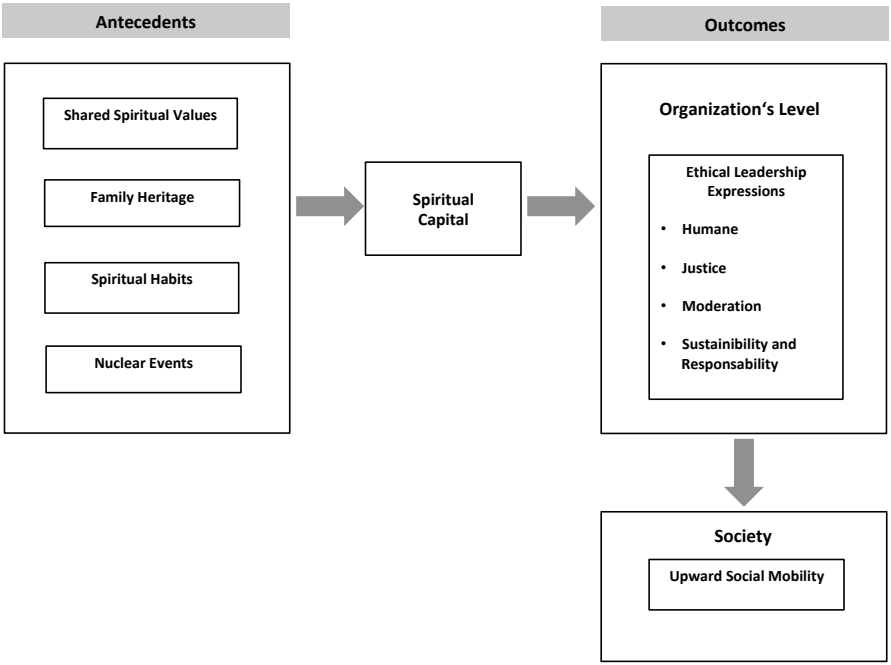
Moreover, our study contributes to ethical leadership literature by bringing the context of family business into play. Family businesses are well known for their long-term orientation and their commitment to their communities. Therefore, there is an intrinsic motivator to act ethically to help others and protect their reputation at the same time. Thus, we bring an additional perspective to ethical leadership.

Finally, our study contributes to family business literature by joining a relevant conversation about ethical behavior in the family business (cf. Abdelgawad and Zahra, 2020;

Astrachan et al., 2020; Vasquez, 2018), where values and virtues play a critical role (Parada et al., 2020) in how family businesses develop their spiritual capital and in turn influence their expression of ethical leadership.

Our findings also have practical implications. The influence of spirituality can be related to the values of family business leaders in business (Astrachan et al., 2020; Parada, 2020), which can then influence ethical leadership. A spiritual leader manager may engage in existing business development guided by personal spiritual principles. Moreover, as actions are taken and decisions are made based on spirituality, a culture influenced by spiritual capital emerges. Such a culture may then become a guide for decisions made during times of change or crisis, and become reinforced over time. Society today faces a great variety of challenges and ethical firms, particularly family business groups, can offer a fair workplace environment along with a comprehensive welfare scheme that may prevent employees from the burdens of economic distress that could lead to poverty, particularly low-ranking employees. The absence of spiritual principles may remove the additional function of spiritual values as guidance or reference when a firm grows, deals with societal concerns and issues of fairness, or deals with times of crisis.

Figure 5: Antecedents and outcomes of spiritual capital



3.7 Limitations and Future Research

Appreciating the link between spirituality and ethical leadership in family businesses is not always straightforward, and hence findings must be interpreted with caution. We used a single case, and this may be viewed as a limitation to our study. Yet, we had rich, in-depth interview data from multiple individuals, including family employees across generations and long-term non-family employees. The qualitative and interpretive focus of the study allowed a deep investigation of the antecedent factors of spiritual capital and how it translated into leaders' expressions of the four central ethical orientations (Eisenbeiss, 2012). Future

research should use data from multiple cases (Yin, 2018) to test the framework we presented here, as well as further explore other factors that may affect the occurrence of spiritual capital in family firms, and subsequently the expressions of ethical leadership dimensions at the organizational level (Leppaho et al., 2016).

Related to the above limitation, we relied on data derived from interviews made with family and non-family employees selected by the ex-CEO and current chairperson of the board. Given our observations of ethical practices at the firm level, our responses may be somewhat biased towards a favorable interpretation of the influence of the family values and heritage on business practices, especially because some of the non-family employees we interviewed have a long and personal relationship with the owning family. Having said that, we believe that the main contribution of our study is to unfold the antecedent factors of spiritual capital in family firms and to detail how spiritual capital affects ethical leadership. In our attempt to develop a conceptual framework, we show that these antecedent factors are related to family (values and heritage) and individual (spiritual practice and nuclear events) aspects but, as our data showed, separating these aspects is not as easy as one might expect. In fact, it might even be that there are other contributing factors that facilitate the occurrence of spiritual capital in the family firm context, and we encourage future researchers to work on that. Another limitation of this study is the fact that we did not develop the concept of the dispositions of spiritual capital. In fact, the literature on spiritual capital is dispersed, and it takes a different conceptualization and approach, depending on the field of study. With that in mind, further research is necessary to more clearly illuminate the concept of spiritual capital and how it develops and manifests in the family firm context.

We focused on a specific context (Welter, 2011), which adds diversity to research, as most studies usually emerge from Anglo-Saxon or European countries. Latin America has

been called an interesting context in which to study family businesses, as they have cultural idiosyncrasies that are worthy of study (Parada et al., 2020). Yet, this specific context may be enriched by adding cross-cultural studies, which would allow for a deeper understanding about how spirituality varies in its strength across countries, and how it can trigger ethical leadership behavior. Further, we encourage future research to explore the implications of organizations' ethical behavior on distribution of wealth and on wealth inequality. Prior research has suggested, for instance, that a living wage "can help people reach a *threshold* of autonomy" (Waltman, 2004 p. 85), which may prevent the widening of inequality, thus highlighting the importance of ethical leadership practices in the domains of work and broader society.

Despite this, our study demonstrates that family spiritual values and practices can be important antecedents to facilitate the occurrence of spiritual capital that further guides ethical leadership practices in family firms and thus encourage researchers to further address the complex dynamics of spiritual capital in family businesses.

Table 7: Definitions of spiritual capital (a)

Definitions	Authors
"Spiritual capital . . . is wealth that we can live by, wealth that enriches the deeper aspects of our lives. It is wealth we gain through drawing upon our deepest meanings, deepest values, most fundamental purposes, and highest motivations, and by finding a way to embed these in our lives and work".	Zohar and Marshall (2004 p. 3)
"'Spiritual capital' . . . is the 'intangible knowledge', faith, belief and emotion embedded in the minds and hearts of individuals and in the heart of the organization, which includes vision and direction, principles, values and culture. The individual and organization behave and act with honor, integrity, sincerity, honesty, truth, trust, love, moral and ethics. It also includes motivation, self-esteem, courage, strength, commitment, teamwork, determination, desire, enthusiasm and team spirit. It focuses on interrelationships, interconnectedness and interdependency for sustainable development, with the view to achieve final prosperity and happiness for all. It governs how the other three capitals should be used".	Ismail (2005, p. 9)
"We define spiritual capital more narrowly as a set of intangible objects in the form of rules that govern how an individual interacts with other people and with the natural and spiritual realm. In addition, spiritual capital yields (perceived) benefits in both the short and long term (possibly after death)".	Lillard and Ogaki (2005, p. 9)
"SpiritualcCapital was defined in the survey as the spiritual values and vision for the future that we express in activities such as prayer and worship, and which motivates us to make a practical contribution to the wider world as well as to people within our own group".	Baker and Smith (2010, p. 27)
"I define spiritual capital as the wealth, the power, and the influence that we gain by acting from a deep sense of meaning, our deepest values, and a sense of higher purpose, and all of these are best expressed through a life devoted to service. Based on this definition, spiritual intelligence is the intelligence by which we build spiritual capital".	Zohar (2010, p. 3)
"Spiritual capital is the set of values, ethical standpoints and visions for change held by both individuals, groups and institutions. It is shaped not only by systems and practices of belief, but also by engagement with wider sets of relationships (broadly defined) and the sense of meaning and purpose derived from work-based and other activities (sometimes referred to as the 'spirit' or 'soul' of a business). Spiritual capital is often the source of motivation for other forms of capital (e.g. social capital and its emphasis on the importance of trust and norms as the basis for conducting any form of progressive or enhancing human activity)".	Baker et al. (2011, p. 6)
"Spiritual capital refers to the positive benefits of spiritual, psychological and moral development to individuals, organizations and communities/societies".	Beard (2012)
"The individual and collective capacities generated through affirming and nurturing the intrinsic spiritual value of every human being".	Palmer and Wong (2013, p. 13)
"Spiritual capital is a moral component of society where faith in a higher power is the guarantor of political stability, moral well- being, and economic justice".	Sharonova and Ildarhanova (2015, p. 790)
"Spiritual capital consists of forgiveness, integrity, empathy, faith, kindness, happiness and honesty".	Mohtar et al. (2015, p. 19)
"We define spiritual capital as a combination of dimensions that points toward spirituality in people and that consists of religiosity, morality, the capacity for transcendence, the sanctity of life, altruism and creativity".	Mas-Machuca and Marimon (2019, p. 100)
"Spiritual capital refers to the power, influence and dispositions created by a person or an organization's spiritual belief, knowledge and practice".	Liu (2007)
"Spiritual capital is a set of personal, intangible, and transcendent resources that emanate from an individual's spiritual or religious beliefs and experiences".	Neubert et al. (2015 p. 622)
"Spiritual capital [of family firms] is the unique knowledge, resources, connections, relationships and devotion to a mission".	Abdelgawald and Zahra (2020 p. 775)
"Spiritual capital is the set of values, ethical standpoints and visions for change held by both individuals, groups and institutions. It is shaped not only by systems and practices of belief, but also by engagement with wider sets of relationships (broadly defined) and the sense of meaning and purpose derived from work-based and other activities (sometimes referred to as the 'spirit' or 'soul' of a business)".	Stokes et al. (2016 p 40)

(a) Based on Vasconcelos (2020)

Figure 6: Data coding for antecedents of ethical leadership dimensions

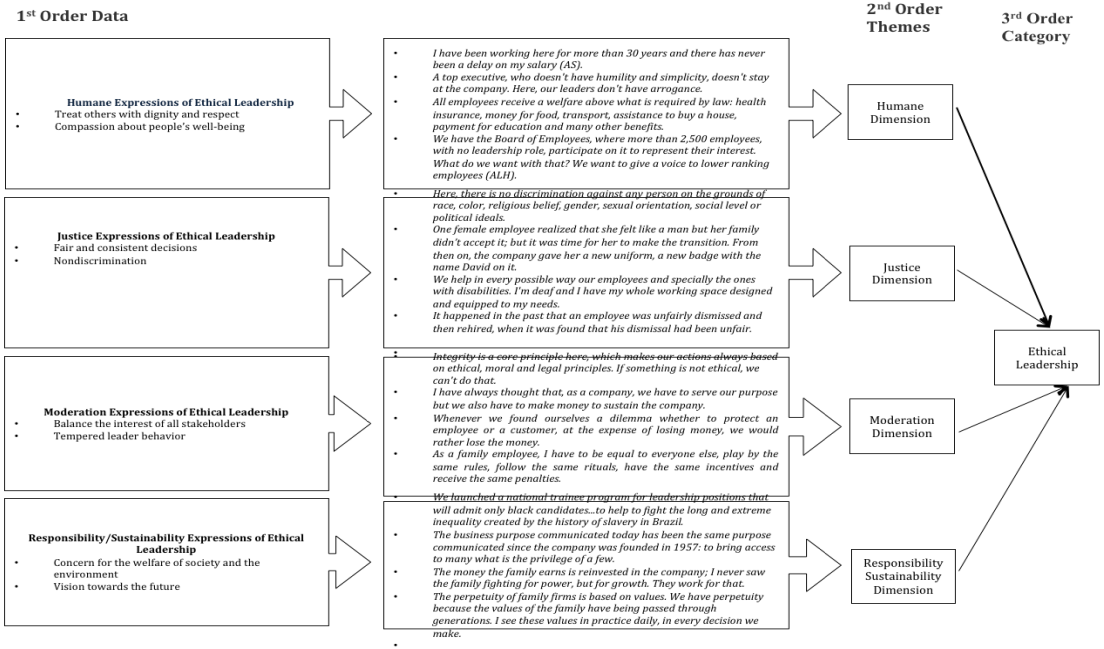
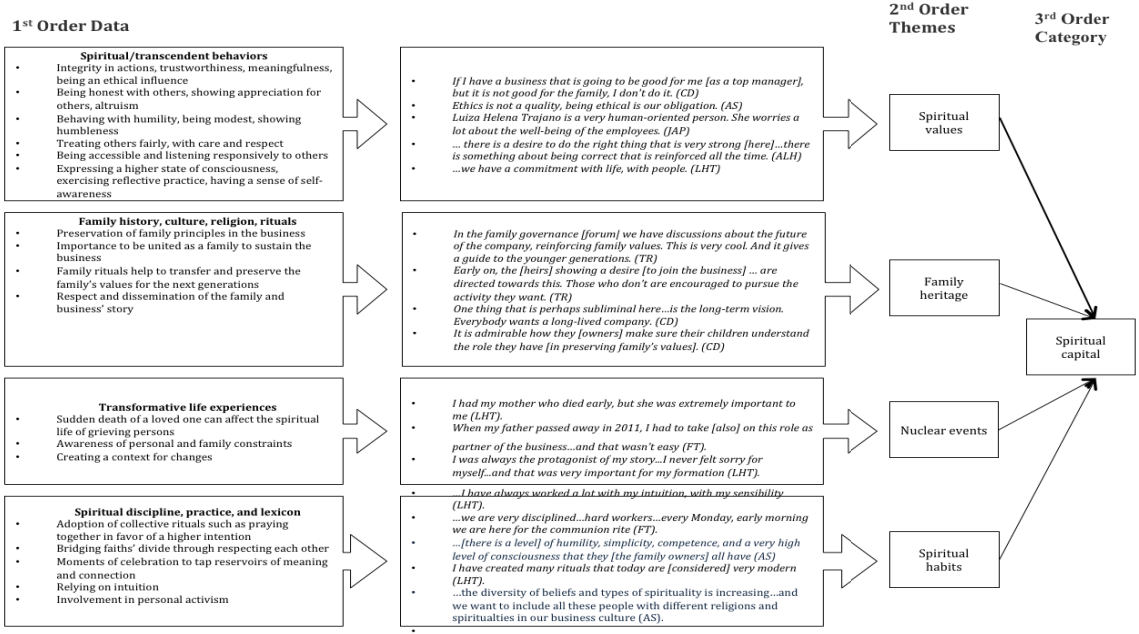


Figure 7: Data coding for antecedents of spiritual capital



References

Abdelgawad, S. G., & Zahra, S. A. (2020). Family Firms' Religious Identity and Strategic Renewal. Journal of Business Ethics, 163(4), 775–787.

Adams, J., Taschian, A., & Shore, T. (1996). Ethics in family and non-family-owned firms: An exploratory study. Family Business Review, 9(2), 157–170.

Agência IBGE. 2019 'Diferença cai em sete anos, mas mulheres ainda ganham 20,5% menos quehomens'https://agenciadenoticias.ibge.gov.br/agencia-noticias/2012-agencia-de-noticias/noticias/23924-diferenca-cai-em-sete-anos-mas-mulheres-ainda-ganham-20-5-menos-que-homens

Alvesson, M., and Skoldberg, K. (2000) Reflexive Methodology: New Vistas for Qualitative Research. London: Sage.

Americas Quarterly. 28 September 2020. "Luiza Trajano's Courageous Efforts to Fight Domestic Violence. https://americasquarterly.org/article/luiza-trajanos-courageous-efforts-to-fight-domestic-violence/

Ashkanasy, N. M., Windsor, C. A., & Treviño, L. K. (2006). Bad Apples in Bad Barrels Revisited: Cognitive Moral Development, Just World Beliefs, Rewards, and Ethical Decision-Making. Business Ethics Quarterly, 16(4), 449–473.

Assouad, L., Chancel, L., & Morgan, M. (2018). Extreme Inequality: Evidence from Brazil, India, the Middle East, and South Africa. AEA Papers and Proceedings, 108, 119–123.

Astrachan, J. H., Astrachan, C. B., & Campopiano, G. (& others). (2020). Values, Spirituality and Religion: Family Business and the Roots of Sustainable Ethical Behavior. Journal of Business Ethics, 163(4), 637–645.

Baker, Chris, and J. Miles-Watson. "Exploring Secular Spiritual Capital: An Engagement in Religious and Secular Dialogue for a Common Future?". International Journal of Public Theology 2, no. 4 (2008): 442-64.

Bansal, T. P., & Corley, K. (2011). The Coming of Age for Qualitative Research: Embracing the Diversity of Qualitative Methods. Academy of Management Journal, 54(2), 233–237.

Barbera, F., Shi, H. X., & Agarwal, A. (& others). (2020). The Family That Prays Together Stays Together: Toward a Process Model of Religious Value Transmission in Family Firms. Journal of Business Ethics, 163(4), 661–673.

Beavers, W. R., & Hampson, R. B. (1993). Measuring family competence: The Beavers Systems Model. In F. Walsh (Ed.), Normal family processes., 2nd ed. (pp. 73–103). The Guilford Press.

Berger, P.L., & Redding, G. (2011). The hidden form of capital: Spiritual influences in societal progress. New York: Anthem Press.

Blodgett, M., Dumas, C., & Zanzi, A. (2011). Emerging Trends in Global Ethics: A Comparative Study of U.S. and International Family Business Values. Journal of Business Ethics, 99, 29–38.

Bouckenooghe, D., Zafar, A., & Raja, U. (2014). How ethical leadership shapes employees' job performance: The mediating roles of goal congruence and psychological capital. Journal of Business Ethics, 129(2), 251–264.

Brown, M. E., Treviño, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. Organizational Behavior and Human Decision Processes, 97(2), 117–134.

Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. The Leadership Quarterly, 17(6),

Brown, M., & Treviño, L. (2014). Do role models matter? An investigation of role modeling as an antecedent of perceived ethical leadership. Journal of Business Ethics, 122(4), 587–598.

Caixeta, N. (2011). Dona Luiza Helena Trajano. EXAME, Retrieved April 16, 2021, from https://exame.com/revista-exame/dona-luiza-m0051152/

Chan-Serafin, S., Brief, A.P., & George, J.M. (2013). How does religion matter and why? Religion and the organizational sciences. Organization Science, 24(5), 1585–1600.

Cole, P. M. (1997). Women in family business. Family Business Review, 10(4), 353-371.

Coles, R. (1997). The moral intelligence of children. New York: Random House.

Colquitt, J. A., & Greenberg, J. (2003). Organizational justice: A fair assessment of the state of the literature. In J. Greenberg (Ed.), Organizational behavior: The state of the science (pp. 165–210). Mahwah, NJ: Lawrence Erlbaum Associates.

Copeland, M. K. (2014). The emerging significance of values-based leadership: A literature review. International Journal of Leadership Studies, 8(2), 105.

Cruz, C., Larraza, K. M., Garcés, G. L., & Berrone, P. (2014). Are Family Firms Really More Socially Responsible? Entrepreneurship: Theory & Practice, 38(6), 1295–1316.

Cui, V., Ding, S., Liu, M., & Wu, Z. (2018). Revisiting the Effect of Family Involvement on Corporate Social Responsibility: A Behavioral Agency Perspective. Journal of Business Ethics, 152(1), 291.

Çetin, M., (2020). The relationship between religiosity, family cohesion and ethical leadership: a study of family firms and Turkey. Journal of Family Business Management, 29 (1)

Drakopoulou–Dodd, S.D., & Gotsis, G. (2007). The interrelationships between entrepreneurship and religion. The International Journal of Entrepreneurship and Innovation, 8(2), 93–104.

De Massis, A., & Kotlar J. (2014). The case study method in family business research: Guidelines for qualitative scholarship.

Demirtas, O. (2015). Ethical leadership influence at organizations: Evidence from the field.

Demirtas, O., & Akdogan, A. A. (2014). The effect of ethical leadership behavior on ethical climate, turnover intention, and affective commitment. Journal of Business Ethics, 130(1), 1–9.

D'Arquer, J. (1992). PYME y empresa familiar. Alta Dirección, 166, 459-464.

Discua Cruz, A., Howorth, C., & Hamilton, E. (2013). Intrafamily Entrepreneurship: The Formation and Membership of Family Entrepreneurial Teams. Entrepreneurship: Theory & Practice, 37(1), 17–46.

Discua Cruz, A. (2020). There is no need to shout to be heard! The paradoxical nature of corporate social responsibility (CSR) reporting in a Latin American family small and medium-sized enterprise (SME). International Small Business Journal: Researching Entrepreneurship, 38(3), 243–267.

Driscoll, C. (1), McIsaac, E. M. (2), & Wiebe, E. (3). (n.d.). The material nature of spirituality in the small business workplace: from transcendent ethical values to immanent ethical actions. Journal of Management, Spirituality and Religion, 16(2), 155–177.

Doherty, W. J. (1995). Soul Searching: Why psychotherapy must promote moral responsibility. New York: Basic Books.

Dumas, C. (1992). Integrating the daughter into family business management. Entrepreneurship: Theory & Practice, 16(4), 41-56.

Eisenhardt, K. M. (1), & Graebner, M. E. (2). (n.d.). Theory building from cases: Opportunities and challenges. Academy of Management Journal, 50(1), 25–32. https://doi.org/10.5465/AMJ.2007.24160888

Eisenbeiss, S. A. (2012). Re-thinking ethical leadership: An interdisciplinary integrative approach. The Leadership Quarterly, 23(5), 791–808.

Eisenbeiss, S. A., & van Knippenberg, D. & Fahrbach. C. M. (2015). Doing Well by Doing Good? Analyzing the Relationship Between CEO Ethical Leadership and Firm Performance. Journal of Business Ethics, 128(3), 635.

Figueira, J. (1986) O modern eo arcaicao, na nova familia brazileira, notas sobsre o dimensao invisivel da mundacaco social (The new family, invisible social changes). In: Figueira, S., (ed) Uma nova familia. Jorge Zahar, Rio de Janeiro

Frishkoff, P. A., & Brown, B. M. (1993, March–April). Women on the move in family business. Business Horizons, pp. 66-70.

Fry, L.W. (2005). Toward a theory of ethical and spiritual well-being, and corporate social responsibility through spiritual leadership. In C. Dunne, R.A. Giacolone & C.L. Jurkiewicz (Eds.), Positive psychology and corporate responsibility. Greenwich, CT: Information Age Publishing.

Giacalone, R. A., & Jurkiewicz, C. L. (2004). Handbook of workplace spirituality and organizational performance. New York7 M.E. Sharpe.

Greenfield, E.F. (2007). Religious social identity as an explanatory factor for associations between more frequent formal religious participation and psychological well–being. International Journal for the Psychology of Religion, 17(3), 245–259

Gibbert, M., & Ruigrok, W. (2010). The 'What' and 'How' of Case Study Rigor: Three Strategies Based on Published Work. Organizational Research Methods, 13(4), 710–737.

Goswami, M., Agrawal, R. K., & Goswami, A. K. (2021). Ethical Leadership in Organizations: Evidence from the Field. International Journal of Ethics and Systems, 37(1), 122–144.

Hamilton, E., Cruz, A. D., & Jack, S. (2017). Re-framing the status of narrative in family business research: Towards an understanding of families in business. Journal of Family Business Strategy, 8(1), 3–12.

Hilary, G., & Hui, K. W. (2009). Does Religion Matter in Corporate Decision Making in America? Journal of Financial Economics, 93(3), 455–473.

Howorth, C., & Robinson, N. (2020). Family Business. Routledge.

Howorth, C., Rose, M., Hamilton, E., & Westhead, P. (2010). Family firm diversity and development: An introduction. International Small Business Journal: Researching Entrepreneurship, 28(5), 437–451.

Kellermanns, F. W. (2013). Spirituality and religion in family firms. Journal of Management, Spirituality & Religion, 10(2), 112–115.

Kim, M. & Thapa, B. (2018). Relationship of Ethical Leadership, Corporate Social Responsibility and Organizational Performance.

Hamilton, E., Discua Cruz, A., and Jack, S. (2017) Re-framing the status of narrative in family business research: Towards an understanding of families in business. Journal of Family Business Strategy 8(1): 3–12.

Hofstede, G. (2001) Culture's consequences: international differences in work-related values, 2nd edn. Sage, Thousand Oaks

Hood, R. W., Spilka, B., Hunsberger, B., & Gorsuch, R. (2003). The psychology of religion: An empirical approach (3rd ed.). New York: Guilford Press.

HRW (Human Rights Watch). 8 March 2018. 'Working for Less in Brazil'. https://www.hrw.org/news/2018/03/08/working-less-brazil

Jimenez, R. (2009) Research on women in family firms' current status and future directions. Fam Bus Rev 22(1):53–64

Lazaretti et al. (2013). 'Gender diversity in the boards of directors of Brazilian businesses'. Gender in Management: An International Journal, Vol. 28 N.

Lee, D., Choi, Y., Youn, S., & Chun, J. U. (2015). Ethical leadership and employee moral voice: The mediating role of moral efficacy and the moderating role of leader–follower value congruence. Journal of Business Ethics, 1–11.

Lemoine, G. J., Hartnell, C. A., & Leroy, H. (2019). Taking Stock of Moral Approaches to Leadership: An Integrative Review of Ethical, Authentic, and Servant Leadership. Academy of Management Annals, 13(1), 148–187.

Leppäaho T., Plakoyiannaki, E., and Dimitratos, P. (2016) The Case Study in Family Business. An Analysis of Current Research Practices and Recommendations. Family Business Review 29(2): 159–173.

Liao, Y., Liu, X.-Y., Kwan, H. K., & Li, J. (2014). Work–family effects of ethical leadership. Journal of Business Ethics, 128(3), 535–545.

Llano, C., & Olguin, F. (1986). La sucesión en la empresa familiar. In V. F. Pascual (Ed.), La Empresa Familiar 2 (pp. 36-66). Barcelona, Spain: Universidad de Navarra, IESE.

Lu, C.-S., & Lin, -C.-C. (2014). The effects of ethical leadership and ethical climate on employee ethical behavior in the international port context. Journal of Business Ethics, 124(2), 209–223.

Middlebrooks, Anthony, and Alain Noghiu. 'Leadership and Spiritual Capital: Exploring the Link between Individual Service Disposition and Organisational Value.' International Journal of Leadership Studies 6, no. 1, 2010.

McAdams, D. P. (2008). Personal narratives and the life story. In J.P. Oliver, R. W. Richards, & P. A. Lawrence (Eds.), Handbook of personality: Theory and research (pp. 242-262). New York: The Guilford Press.

Mayer, D. M., Aquino, K., Greenbaum, R. L., & Kuenzi, M. (2012). Who displays ethical leadership, and why does it matter? An examination of antecedents and consequences of ethical leadership. Academy of Management Journal, 55(1), 151–171.

Mayer, D. M., Kuenzi, M., & Greenbaum, R. L. (2010). Examining the link between ethical leadership and employee misconduct: The mediating role of ethical climate. Journal of Business Ethics, 95, 7–16.

Moreira-Almeida, A., Pinsky, I., Zaleski, M., & Laranjeira, R. (2010). Envolvimento religioso e fatores sociodemográficos: Resultados de um levantamento nacional no Brasil [Religious involvement and socio-demographic factors: A Brazilian national survey]. Archives of Clinical Psychiatry, 37, 12–15.

Neubert, M. J., Bradley, S. W., Ardianti, R., & Simiyu, E. M. (2017). The Role of Spiritual Capital in Innovation and Performance: Evidence from Developing Economies. Entrepreneurship: Theory & Practice, 41(4), 621–640.

Paloutzian, R. F., Emmons, R. A., & Keortge, S. G. (2003). Spiritual well-being, spiritual intelligence, and healthy workplace policy. In R. A. Giacolone, & C. L. Jurkiewicz (Eds.), Handbook of workplace spirituality and organizational performance (pp. 123–137). New York7 M.E. Sharpe.

Parada, M., Müller, C. & Gimeno Sandig, A. (2016). Family businesses in Ibero-America: An introduction. Academia: Revista Latinoamericana de Administración, 29 (3), (pp. 219-230).

Paterson, T. A., Specht, D., & Duchon, D. (2013). Exploring costs and consequences of religious expression in family businesses. Journal of Management, Spirituality & Religion, 10(2), 138–158.

Patton, M. Q. 1990. Qualitative Evaluation and Research Methods. 2nd. Newbury Park, CA: Sage.

Pirson, M., Martin, K., & Parmar, B. Formation of Stakeholder Trust in Business and the Role of Personal Values. J Bus Ethics 145, 1–20 (2017).

Pratt, M.G. (2009). From the editors: For the lack of a boilerplate: Tips on writing up (and reviewing) qualitative research. 52(5), 856-862.

Proni, M. W., & Leone, E. T. (2013). Desigualdades de gênero e raça no mercado de trabalho brasileiro. In: KREIN, José Dari et al. Regulação do trabalho e instituições públicas. São Paulo: Fundaçao Perseu Abramo. v. 2.

Rabelo, A. L. A., & Pilati, R. (2021). Are religious and nonreligious people different in terms of moral judgment and empathy? Psychology of Religion and Spirituality, 13(1), 101–110.

Reave, L. (2005). Spiritual values and practices related to leadership effectiveness. Leadership Quarterly, 16(5), 655–687.

Reay, T., & Zhang, Z. (2014) Qualitative Methods in Family Business Research. In: The SAGE Handbook of Family Business. London: SAGE Publications Ltd, pp. 573–593.

Ridder, H.-G. (1), Miles, M.-B., Michael Huberman, A., & Saldaña, J. (n.d.). Qualitative data analysis. A methods sourcebook. Zeitschrift Fur Personalforschung, 28(4), 485–487.

Rocha, T. W. P., Proni, T. W. (2018). 'Discriminação de gênero em grandes empresas no Brasil'. Revista Estudos Feminista, vol. 26 no.1.

Sorenson, R. L. (2013). How moral and social values become embedded in family firms. Journal of Management, Spirituality & Religion, 10(2), 116–137.

Stake, R. E. (2005). Qualitative case studies. In N. K. Denzin & Y. S. Lincoln (Eds.), The Sage handbook of qualitative research (3rd ed., pp. 433–466). Thousand Oaks, CA: Sage Publications.

Starr, J., & Yudkin, M. (1996). Women entrepreneurs: A review of current research. Wellesley, MA: Wellesley Center for Research on Women.

Stinnett, N., & DeFrain, J. (1985). Secrets of Strong Families. Boston: Little, Brown.

Tight, M. (2017). Understanding case study research: Small-scale research with meaning. Sage.

Treviño, L.K., Weaver, G.R., Reynolds, S.J. Behavioral Ethics in Organizations: A Review. Journal of Management. 2006;32(6):951-990.

van Gils, A., Dibrell, C., Neubaum, D. O., & Craig, J. B. (2014). Social issues in the family enterprise. Family Business Review, 27(3), 193–205.

Vazquez, P. (2018). Family business ethics: At the crossroads of business ethics and family business. Journal of Business Ethics, 150(3), 691-709.

Walsh, F. (2009). Spiritual resources in family therapy, 2nd ed. (F. Walsh (Ed.)). Guilford Press.

Waltman, J. (2004). The case for the living wage. New York: Algora Publishing.

Wang, G., Hackett, R.D. Conceptualization and Measurement of Virtuous Leadership: Doing Well by Doing Good. Journal of Business Ethics **137,** 321–345 (2016).

Welsh, D.H.B., Kaciak, E., Trimi, S. et al. Women Entrepreneurs and Family Firm Heterogeneity: Evidence from an Emerging Economy. Group Decis Negot 27, 445–465 (2018).

Werner, A., & Lim, M. (2016). The Ethics of the Living Wage: A Review and Research Agenda.

Welter, F. (2011). Contextualizing Entrepreneurship-Conceptual Challenges and Ways Forward. Entrepreneurship: Theory & Practice, 35(1), 165–184.

Wright, L., Watson, W.L., & Bell, J. M. (1996). Beliefs: The heart of healing in families and illness. New York: Basic Books.

Wright, T. A., & Quick, J. C. (2011). The role of character in ethical leadership research. Leadership Quarterly 22 (5): 975–78.

Wu, L.-Z., Kwan, H. K., Yim, F. H.-K., Chiu, R. K., & He, X. (2014). CEO ethical leadership and corporate social responsibility: A moderated mediation model. Journal of Business Ethics, 130(4), 1–13.

Yang, C. (2014). Does ethical leadership lead to happy workers? A study on the impact of ethical leadership, subjective well-being, and life happiness in the Chinese culture. Journal of Business Ethics, 123(3), 513–525.

Yin, R.K. (2018) Case Study Research and Applications (6th edn). Thousand Oaks, CA: Sage.

Yusof et al. (2014). The Influence of Spiritual Leadership on Spiritual Well-Being and Job Satisfaction: A Conceptual Framework. International Review of Management and Business Research, Vol. 3 Issue.4.

Zhang, S., & Tu, Y. (2018). Cross-Domain Effects of Ethical Leadership on Employee Family and Life Satisfaction: the Moderating Role of Family-Supportive Supervisor Behaviors. Journal of Business Ethics, 152(4), 1085–1097.

Zinnbauer, B.J., & Pargament, K.I. (2005). Religiousness and spirituality. In R.F. Paloutzian & C.L. Park (Eds.). The handbook of the psychology of religion and spirituality (pp. 21–42). New York, NY: Guilford Press.

Zohar, Danah, and Ian Marshall. Spiritual Capital: Wealth We Can Live By. San Francisco: Berrett-Koehler Publishers, Inc., 2004.

4 Untangling the Life Cycle of Authentic Family Business Philanthropy: A Source of Wealth Distribution

Luciana Lucena de Lima

4.1 Abstract

The philanthropic motivations of elite philanthropy have recently been highly criticized, considered by some commentators to be an exercise that is selfish and highly disconnected from the public benefit, an activity driven rather by personal and economic benefits for the donors. In the face of raising social inequalities, the quest for authenticity in charitable giving is important in the broader debate about wealth distribution. This paper proposes a conceptual model to the attaining of authentic philanthropic identities over the lifetime of family businesses systems that can signal important information in regard to one's psychological and financial capacity to engage in authentic philanthropy giving. This paper contributes to the growing academic field in which philanthropy intersects with family firms.

4.2 Introduction

Family business can serve as ladders of opportunity for social mobility when society fails to invest adequately in less fortunate groups that are shut out of existing class hierarchies (Means, 2016). Research in family firm philanthropy has indicated that family business has long provided significant economic resources to tackle social problems (Campopiano et al., 2014; Liz and Stewart, 2000; Feliu and Botero, 2016). Therefore, when wealthy family firms redistribute wealth outside the family in the form of philanthropy, it creates pathways to success for excluded communities, "contributing to the effort to build and sustain a more equal society" (Means, 2016, p. 986).

Family firm philanthropy involves the voluntary transfer of resources (Bhatgnar et al., 2019; Windsor, 2006; Feliu and Botero, 2016) such as time, money, effort, or knowledge,

with a charitable purpose (Liz and Stewart, 2000). This refers to serving individuals and communities beyond one's family interest (Pharoah, 2008). For instance, the Microsoft founder, billionaire and philanthropist Bill Gates, has worked for the last 20 years to reduce inequality through his family foundation – the Bill and Melinda Gates Foundation. He proclaims that "access to health and education are key to a healthier, better, and more equal world" (Gates Foundation, 2020). Likewise, the Brenninkmeijer family enterprise established the Laudes Foundation, which claims to respond "to the dual crises of inequality and climate change by supporting brave, innovative efforts that inspire and challenge industry to harness its power for good" (Laudes Foundation, 2020).

However, philanthropy is a complex concept, and it has recent raised moral and political concerns (Eger et al., 2019) about the motivations of its proponents. Charitable giving is often described as " private action in the public interest" (Reich, 2018, p.15). Unfortunately, and often, the public's need usually takes the sphere of politics or public debate (Frumkin, 2008) or, even more problematically, the individual motivation for giving is frequently related to the personal preferences and values of the donor (Frumkin, 2008). As such, philanthropy, as an individual and voluntary act that ultimately aims to meet the most pressing social needs (Frumkin, 2008), has come under significant scrutiny. For instance, Frumkin (2008) suggested that wealthy philanthropists are selfish individuals, motivated to pursue personal fulfillment from charitable giving (Eger et al., 2019).

In light of these criticisms, wealthy philanthropists can seem to display bogus philanthropic identities to merely fulfill a variety of self-interests, while persuading others to condone the arguments that they embrace (Harvey et al., 2020). This lack of authenticity is central to the complexity of charitable giving, as it poses a challenge to creating sustained pathways to increase the upward social mobility of less privileged groups. This paper posits

that in order to promote a more equal world, society should rely on philanthropists who convey a narrative of philanthropic identity construction based on an enduring set of life values, rather than on instrumental and temporal approaches of self-interest to philanthropy. In light of these considerations, the context of family business offers a unique environment to understand the development of authentic philanthropic identities for three reasons. First, previous research has stated that family firms - more often than non-family firms – hold ethical behavior in high esteem, including the welfare of all stakeholders (Cruz et al., 2014; Marquez et al., 2014). Second, the unique involvement of the family in the organization imprints the values of the family on the ethical outcomes of the business (Van Gils et al., 2014). That is, it is at the core of the family unit that individuals acquire a stable and mature system of value (Erikson, 1968), and family values play a major role in identity formation (Marcia, 1966). Finally, family firms are considered to be a value-driven type of organization (Olson et al., 2013) in which expressions of ethical orientations (Eisenbeiss, 2012) are driven by a dual identity system at the intersection of the family and the business (Greenwood et al., 2011; Melin and Nordqvist, 2007; Ward, 1987). However, while there is a strand of research that investigates the development of philanthropic identity in the context of wealthy entrepreneurs (Maclean et al., 2015; Harvey and Maclean, 2020), there is a lack of research about the development of authentic philanthropic identities in the context of family businesses. Current research has investigated the acquisition of philanthropic identities by wealth entrepreneurs as an experience in terms of a journey towards becoming a philanthropist (Maclean et al., 2015). Further, Harvey and Maclean (2020) have proposed a typology to describe the characteristics of committed philanthropists, deriving a model of philanthropic identity formation based mainly on systematic positive loops through the experience of giving. However, there is a lack of research on the development of

philanthropic identities in family business research. To address this gap, this study aims to answer the following research question: *How does the psychological development of family-owners, together with the life-cycle of the family businesses, inform the emergence of authentic philanthropic identities over time?*

Following calls to better understand how philanthropic identities develop (Maclean et al., 2015), this study, which is theoretical in nature, develops a model to conceptualize the emergence of authentic philanthropic identities over the life cycle of family businesses. By observing the family business owner's psychological development over time in relation to different stages of the family business development, this paper proposes three authentic philanthropic identities stages: *Relational*, *Generative*, and *Integrated* (Fig.1). Building upon the psychological development theory (Erikson, 1950) and the life cycle of the firm theory (Miller and Friesen, 1984), this paper argues that the attaining of authentic philanthropic identities stages is an evolutionary process over the lifetime of a business.

This study contributes to a more refined understanding about the development of philanthropic identities by providing a conceptual model in family firms. This paper contributes to the research on family firms and elite philanthropy. It is the first to analyze the role of family owners in promoting the cause of philanthropy in an authentic and sustained manner. As family firms are rooted in an ethical drive that is largely influenced by the family's values in the organization, they offer a unique environment to the attaining of authentic philanthropic identities that, in turn, can increase the distribution of wealth. Lastly, this study also provides insights into philanthropy planning for practitioners advising family owners.

The remainder of this paper is structured as follows. In the next section, it draws selectively on the literature on philanthropy, authenticity and identity, and organizational

developments over the life cycle. It is then followed by the conceptualization of a model that describes the stages of authentic philanthropic identities. The paper concludes with conclusions, contributions, and suggestions for further research.

4.3 Conceptual Background and Hypothesis Development

4.3.1 Elite Philanthropy and Authenticity

On the literature on elite philanthropy, certain scholars (Frumkin, 2008; Eger et al., 2019; Harvey et al., 2020; Reich, 2018) have recently raised widespread criticisms regarding the virtue and effectiveness of philanthropy, challenging the high ethical claims made by its advocates. First, some scholars have suggested that the giving process is an exercise that is merely selfish and highly disconnected from the public benefit. By and large, giving is said to be an ordinary activity driven solely by the individual satisfaction of the donors (Frumkin, 2008) and personal fulfillment from 'doing good' (Eger et al., 2019). Second, it is claimed that wealthy philanthropists are embedded in a socially privileged environment where giving back is motivated by social and institutional norms rather than by an authentic sense of duty to improve the lives of those in need (Harvey et al., 2020). Above all, it is said that philanthropy is simply practiced as a behavior that is forged within wealthy families to reflect the *status quo* of the elite (Harvey et al., 2020) - in other words, that philanthropy is a mere form of social duty (Villadsen, 2007). A third, and equally problematic claim, is that philanthropy is an exercise of power (Reich, 2018) that amplifies differential status between wealthy donors and average citizens (Frumkin, 2008). Since philanthropy goes into the direction of private assets going to the public benefit, it has an inevitable political dimension that might change the relationship among citizens, especially between donors and their

beneficiaries (Aschoff, 2015; Reich, 2018; Ball, 2008). This is problematic because it questions the power of philanthropy in eroding governments by presenting itself as a favored provider of public goods (Horvath and Powell, 2016). For instance, the Bloomberg Family Foundation has long been accused of funding causes that are linked to Michael Bloomberg's political interests (Kroft, 2017). Finally, and frequently mentioned by scholars, it is stated that philanthropy is motivated by economic maximization, as in many countries there are tax benefits for charitable contribution (Reich, 2018), in particular, that a private foundation is "a convenient and irresistible opportunity to conserve resources within the family" (Gersick, 2006, p. 45), helping the wealthy to shelter their wealth from generation-skipping taxes (Reich, 2018).

In light of these considerations, the philanthropic identities developed by wealthy philanthropists in the course of their philanthropic engagement seem to be inauthentic or even insincere, as if the disposition to voluntarily give away money to ameliorate social inequalities depends upon - and remains attached to - the personal and economic benefits that wealthy philanthropists receive in exchange for their charitable giving. Therefore, the quest for authenticity in charitable giving is important, because it suggests a continuous engagement to philanthropic causes that, in essence, defines a sustained approach to distributive wealth. The concept of authenticity that derives from the ancient Greek philosophy expresses the idea of *knowing thyself,* which refers to accepting, being oneself, and remaining true to oneself. Kernis (2003, p. 14) says "behaving authentically means acting in accord with one's values, preferences, and needs, as opposed to acting merely to please others or to attain rewards or avoid punishments through acting 'falsely.' Authenticity is not reflected in a compulsion to be one's true self, but rather in the free expression of core feelings, motives, and inclinations".

Accordingly, this paper acknowledges the model of philanthropic identity formation proposed by Harvey and Maclean (2020) but, instead, proposes a more refined model that embraces the perspective of authenticity as core to philanthropic identities, with two specific emphases on its construction: intergenerational transmissions and nuclear events.

4.3.2 Intergenerational Transmissions of Family Stories and Generosity

Classic economic literature defines intergenerational transmission with respect to the "transfer of individual abilities, traits, behaviors, and outcomes from parents to their children" (Lochner, 2008:1). The following explores how intergenerational transmissions of family stories and preference for generosity inform the attaining of authentic philanthropic identities over the life cycle of a business.

Family stories are "narrative accounts of personal experiences that have meaning to individuals and to the family as a whole" (Fiese et al., 1999: xi). Stories allow for a recounting of everyday life and are a common practice in the lives of families (Fiese et al., 1999). The story is also a powerful metaphor that leads to the contents and structure of identity development and, according to McAdams (1988, p. 60), "*Identity is a life story".* Stories have two important characteristics. First, they are not simply a recounting of past events, but rather a very personal "reconstruction of the past, through the use of individual interpretative lenses" (Pratt and Fiese, 2004, p. 9) that are influenced by social and culture norms (Polkinghorne, 1959). Second, the meaning-making process of recounted experiences has a transitory nature, "differently at different points in the life course, depending on the individual's perspective and maturity" (Pratt and Fiese, 2004, p.9). Given the importance of intergenerational family stories, this paper posits that the individual's assimilation of stories transmitted over generations is key to the attaining of authentic philanthropy identities across the business life cycle for three reasons. First, family stories may be seen as expressions of

the family's values and how they see the world (Sameroff and Fiese, 2000). Such expressions may well inform what the family expects from its members. For example, families with a deep-rooted commitment to serving people in need will transmit stories of the importance of being a community contributor to their members. Second, stories provide an opportunity to act through what family members can learn (McAdams, 1995). The kind of stories that are told and the ways in which these stories are shared in the family context reflect on how the stories will eventually be passed down to future generations. For instance, mothers and fathers may choose to tell different kind of stories to their sons and their daughters (Pratt and Fiese, 2004), depending on what they wish to communicate to their children. Lastly, families also have *a unique identity,* and family stories serve as an "important way of communicating, negotiating, and re-negotiating that identity among their members" (Pratt and Fiese, 2004, p.17). Taken all together, intergenerational family stories provide narrative material for the formulation of a sense of identity, for the fostering of the emergence of desired skills in children, and for the convening of a set of life values to future generations. These are important elements in the attaining of authentic philanthropic identities over a life cycle. Accordingly, this paper posits that:

Proposition 1*: Family stories from previous generations transfer values that are foundational to the attaining of authentic philanthropy identities.*

Consider the following illustrative example of one of the world's wealthiest individuals, who pledged to dedicate more than half of his wealth to philanthropy: *"My mother raised my brother and I in a European immigrant community in downtown Los Angeles. From the time I was two years old, it was just the three of us. We didn't have very much, not even a TV; however, we always felt we had enough. One Christmas, when I was six years old, my mother*

took us to see the holiday displays in the big department stores downtown….That same year, my mother gave my brother and I a dime. She told the both of us to hold it together and place it inside the bucket near a man who was ringing a bell. We did, and then we asked my mother why we gave him the dime (at the time, a dime could buy you three candy bars or two soda pops). My mother's reply was: This is the Salvation Army that helps people who really are in need. Remember boys, no matter how much you have, there is always someone who is more in need than you. Always try to give, even if it is just a little. Needless to say, that stuck with me in my adult life." (John Paul De Joria, 2011, Letter to Giving Pledge).

Intergenerational transmission of generosity is defined as the preference for generosity transmitted from one generation to the next (Wilhelm et al., 2008). Scholars from different disciplines have long observed the importance of direct transfers from parents to children, from a very early stage. For instance, economists' literature has emphasized how highly endowed kids benefit from high human capital transfers from their parents, in what is regarded as family transmission of abilities (e.g., Piketty, 2000; Becker and Tomes, 1986; Herenstein and Murray, 1994). This line of research provides insights on how transmitted abilities from parents can influence the development of future opportunities for their children, and how "this is primarily determined by childhood learning through interaction with parents" (Piketty, 2000, p. 447). Moreover, experimental psychology literature suggests that prosocial behavior underlies the transmission of generosity. Prosocial behavior is defined as voluntary behavior with the intention to benefit another person (Eisenberg et al., 2006), characterized by actions of "kindness, compassion, and helping behaviors" (Hansenfratz and Knafo, 2015, p. 244). Accordingly, empathy is the core emotion that enacts the development of prosocial behavior (Hansenfratz and Knafo, 2015). Scholars have found that both prosocial

behavior and empathy emerge early in life, and they continue developing during a lifetime (e.g., Hoffman, 2000; Eisenberg et al., 2006). By and large, children are more likely to develop prosocial behaviors by role-modeling actions of the various interaction patterns of the parent-child relationship during life. Moreover, the core parent-child ties contribute to a child's sense of meaning and purpose in life, which has long been associated with identity development (Hill and Burrow, 2012).

The family business literature outlines the importance of family-member relationships and family structures to "individual outcomes such as personality, health, emotional well-being, and economic status" (Jaskiewicz et al., 2017, p. 310). Furthermore, David (2018) suggests that good parenting mostly means the creation of adequate conditions where the desired outcomes can emerge. These considerations are especially significant when discussing intergenerational transfers of generosity in the context of developing an authentic philanthropic identity in the context of family firm philanthropy. As such, this paper submits that:

Proposition 2*: Intergenerational transmission of generosity from parent to child expressed by prosocial behavior and empathy underlies the attaining of authentic philanthropic identities.*

The following is an illustrative case of intergenerational transmission of generosity shared by one of the world's richest philanthropists, who committed to donate at least half of his fortune to philanthropy: *"I grew up in a philanthropic home, where my parents were generous givers early on, when they didn't have great means; their donations only escalated as my father's business activities and wealth grew. From my parents' example, it was natural for me to continue the family tradition of trying to do some good in the world around me, but*

I didn't have a specific plan other than the idea that this would be a generational project, one in which my children (and eventually their children) would work together to improve things around us, in appreciation of our good fortune." (Margaret and Sylvan Adams, Letter to Giving Pledge).

4.3.3 Nuclear Episodes of Continuity and Transformation

Up to now, this paper has proposed that both intergenerational family transmissions of stories and preference for generosity provide a source for appropriation of families' beliefs, values, and behaviors that inform the development of authentic philanthropic identities over a lifetime. Further, the following proposes that certain incidents in life might also be seemingly critical "to draw upon or to define who we are, who we were, and perhaps who we are to become" (McAdams, 1988, p. 133). These incidents are called nuclear episodes, in that they are significant life experiences in an individual's life cycle (McAdams, 1988). Certain nuclear episodes appear to confirm continuity in the narrative identity, while other episodes suggest a change or transformation in the narrative identity (McAdams, 1988).

Continuities in identity are related to similarities in demonstrations of the self over time, while discontinuities in narrative identity relate to changes over time (Erikson, 1968; McAdams, 1993). The sense of personal continuity is an important aspect of narrative identity - or the narrative of life stories, because it conveys the idea that one's life has meaning by suggesting that one's life has unit and purpose (McAdams, 1990, 1993, 1996). Unity in narrative identity has two main features (Bauer, 1999; Erikson, 1959): unity as individual continuity in the lifetime, and unity as solidarity with others (Bauer and Bonanno, 2001). Purpose in identity construction is related to goals and closures, a meaningful path towards a desired future outcome (Baumeister and Newman, 1994). According to Bauer and

Bonanno (2001), continuity can be represented in relationships over time and in purpose over time. In a nuclear episode of continuity, individuals experience a form of *'epiphany'* or *'revelation'* that will confirm the continuity of a perceived identity (McAdams, 1988): "episodes of continuity connect the present with the past via an implicit narrative line, which suggests that the past nuclear episode serves as an explanation for, or a foreshadowing of, some aspects of one's present life situation" (McAdams, 1988, p.170). These episodes often restate the continuity of some perceived truths over time. As such, this paper proposes the following:

***Proposition 3a**: Nuclear episodes of continuity prompt the emergence of authentic philanthropic identities over a lifetime.*

The following illustrates how a shared feeling of gratitude conveys a sense of personal continuity towards charitable giving: *"The Samuel Bronfman Foundation is named after my father as a gesture of respect to the business he created at The Seagram Company, and I now share the responsibilities of running the Foundation with my son, Adam. I am aware of the debt of gratitude I owe my father for now being in the position where I can help others, and I am grateful to my son for the vision he offers as to how we will continue to do so. It is joyful work, and part of a family legacy that I feel is both my obligation and privilege." (Edgar M. Bronfman, 2012, Letter to Giving Pledge).*

Continuity in the narrative identity of the life story may also come, paradoxically, from a disruptive event that might instill a sense of personal continuity over time. Take for instance, the following quote: *"Twenty-five years ago, I had cancer of the tongue and came to the realization at that time that life is about more than making money. I started to think about what my legacy would be(…) I began to explore my Jewish roots. I discovered that I*

was part of a people whose culture, traditions, and values have sustained them and enriched society for over 3,500 years. Judaism brought joy, meaning, and purpose into my ancestors' lives: a thirst for knowledge, a passion for justice, a commitment to care for the weak and oppressed, and a desire to make the world a better place. I decided to create the Harold Grinspoon Foundation to engage Jews in the richness of the Jewish tradition." (Harold Grinspoon, 2015, Letter to Giving Pledge).

On the other hand, in episodes of transformation, nuclear events mainly act as *'turning points'*, signalizing the end of a cycle and the beginning of a new phase. For instance, unplanned factors and forces that happen in a vast array of situations are usually the triggers of these transformative events. The underlying idea here is that certain realms or types of experiences may cause transformation in existing narrative identities.

Proposition 3b*: Nuclear episodes of transformation prompt the emergence of authentic philanthropic identities over a lifetime.*

The following shows a transformative nuclear event in the life of one of the world's wealthiest philanthropists. This paper submits that this significant experience prompted his commitment to philanthropy and his attaining of a philanthropic identity: *"We became dedicated to the cure of blindness because shortly before we were married in 1966 and for five years or so thereafter, …, I began to lose my eyesight at night. In late 1970, when all of my eyesight was gone and I had turned over every stone, we committed to each other to do all we could to ensure that someday when people were diagnosed with a retinal degenerative disease, they wouldn't have to face the same frustrating search that we did that ended in total*

blindness; instead these diseases would not exist anymore." (Gordon and Luli Grund, 2014, Letter to Giving Pledge).

Nuclear episodes of continuity or transformation provide new and specific developmental opportunities to the process of identity formation (Erikson, 1950). In doing so, nuclear episodes provide an anchor point, either for turning points in the narrative identity or to confirm the continuity of an existing narrative identity (McAdams, 1988). Thus, the ability to recognize significant life experiences of continuity or transformation can enhance the process of developing authentic philanthropic identities over time.

4.3.4 Organizational Developmental Stages and Philanthropy

The theoretical perspective of the life cycle of a firm in organizational studies is an adaptation of biological (e.g., Downs, 1967; Greiner, 1972; Penrose, 1952; Quinn and Cameron, 1983) and psychological development theories (Piaget, 1963; Levinson, 1978; Erikson, 1980), suggesting that the more developed the organization, the more apt it is to respond to the interest of a broader range of stakeholders. In light of this view, organizational theory proposes that the larger the organization, the more dedicated administrative hierarchical ladders it has that may, therefore, be expected to have more advanced management structures that facilitate improved social responsiveness (Donaldson, 2001), such as philanthropy. In addition to firm size, previous research has emphasized that social responsiveness is influenced by the developmental degree of corporate governance structures and, largely, by the available financial resources of the organization (Brammer and Millington, 2006). Particularly, earlier research has emphasized the importance of corporate ownership and control that directly affects organizational engagement with philanthropy (Wang and Coffey, 1992). By and large, this involves the degree to which a few shareholders hold the share capital of the organization (Adam and Hardwick, 1989). The literature on the

life-cycle of the family firm has been mainly grounded on a model proposed by Gersick et al. (1997), called the three-dimensional development model. This model acknowledges the particularities of the evolutionary stages of the family firm compared to their non-family counterparts (Le Breton-Miller and Miller, 2013). Specifically, it takes into consideration the "nature of family participation in the business at the different stages of its evolutionary life cycle" (Le Breton-Miller and Miller, 2013, p.1392). Accordingly, the model proposed by Gersick et al. (1997) has the following stages: start-up, expansion, and maturity stages – the very same stages that this paper follows for the conceptualization of the development of authentic philanthropy identities in the context of family firms (Table 8).

4.3.5 Identity Development and Philanthropy

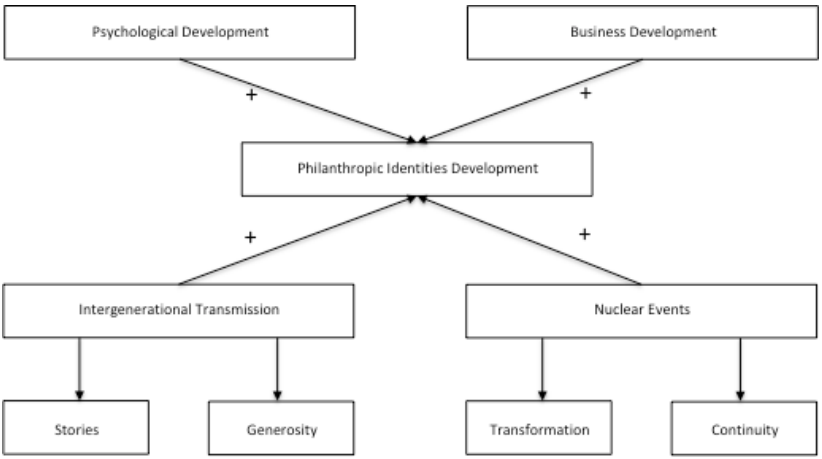
Erikson's psychological theory of development across the life cycle (Erikson, 1950, 1968, 1997) is commonly linked to the study of personality development, identity formation, culture, and life cycle development (Knight, 2017). The theory refers to both the family system and society and culture as critical components in individual development (Kivnick and Wells, 2014). The theory also allows researchers to discuss identity formation as a temporal condition, an evolutionary process (Kivnick and Wells, 2014) that captures the *full spectrum of the human life cycle and the dialectic relationship between the psychological and social dimensions of life* (Knight, 2017, p. 1048). The theory proposes eight stages of psychological development as successive 'critical stages' that enable an individual to integrate his/her own life experiences in the face of the structure of their surrounding social institutions (Erikson, 1950, p. 246-247), to establish a coherent sense of self, as in the form of an identity. A key premise of Erikson's theory is that *issues of identity become prevalent at late adolescence, because this is when the required physiological, cognitive, and social expectational factors are present* (Marcia and Josselson, 2013, p.618). Therefore, the

developmental stages that follow the stage of late adolescence are: young adulthood, middle age, and old age (Table 8).

Empirical studies aimed at validating Erikson's theory have been ongoing for more than five decades and they have been linked to identity formation, personality development, culture, and life cycle development (e.g., Hearn et al., 2012; McAdams and de St. Aubin, 1992; Marcia and Josselson, 2013; O'Brien, 2010; Peterson, 2002; Sokol, 2009). Recent research at the intersection of identity development and entrepreneurship has aimed to investigate similarities between characteristics of entrepreneurs and those of individuals that engage in philanthropy (Audretsch and Hinger, 2014). Moreover, Harvey and Maclean (2020) propose a concept for the development of the philanthropy identity of wealthy entrepreneurs that is constructed dynamically through the commitment to the philanthropic field.

Additionally, Maclean et al. (2015) suggest that the attainment of a philanthropic identity is practiced and recounted as a journey, which is essentially a quest for a mean of philanthropy. The authors propose a typology for the reward that philanthropists claim to derive from their philanthropic engagement. However, this study focuses on the self-realization of philanthropists, as a pursuit of selfish and private interests through their giving without showing adequate concern for others in need, suggesting a bogus and inauthentic disposition towards philanthropy. Despite the recent emergence of studies at the intersection of identity development and wealthy entrepreneurs, there seem to be no studies on how authentic philanthropic identities are crafted in the field of family firms.

Figure 2: Authentic Philanthropic Identities Model



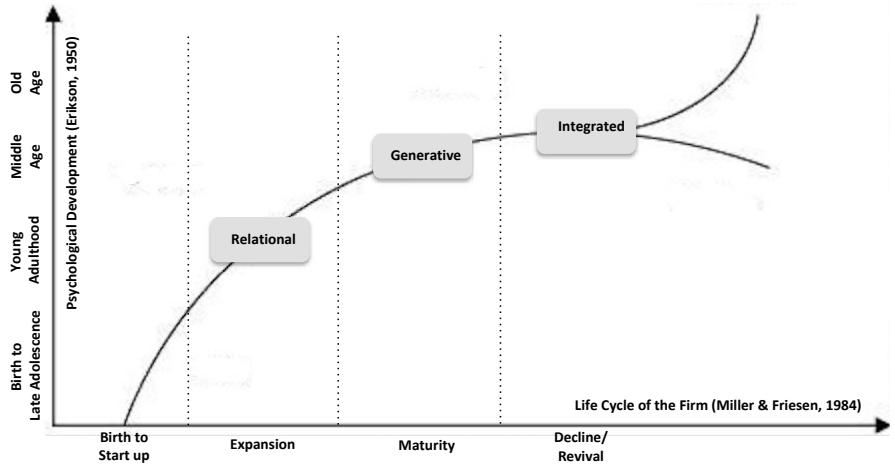
4.4 Authentic Philanthropic Stages over a Life Cycle

The theoretical account proposed by this paper suggests that there is an interwoven theme throughout, with the family-owner's psychological development and the family business development over time. It also argues that this parallel process allows for the integration of one's intergenerational transmissions of stories and preference for generosity, along with nuclear events over a lifetime, all of which contribute to the development of authentic philanthropic identities. This *integrating parallel process*, though, needs two considerations before we move forward. First, this process may not necessarily have a linear progression from one phase to the next. More specifically, models of stage development are based on the strengths of resolutions acquired and carried forward stage-by-stage (Erikson, 1997). However, both individuals and businesses can have 'no expectable' occurrences, positive or negative, that can prevent the developmental trajectory from progressing linearly. In doing

so, a ‘no expectable’ occurrence in the life cycle can create either hold-ups in the development process or it can thrust the development process into later developmental issues (Marcia and Josselson, 2015). Second, how one elaborates on a given intergenerational transmission or on a significant experience in life depends on the theoretical development stage of one’s field. As such, the ability to synthetize the significance of the original occurrence can eventually happen on a later development ladder. In other words, the meaning–making of past family stories and nuclear events can only become evident years later, within the psychological development, “in light of the current understanding and interpretations of their meaning and outcomes” (Pratt and Fiese, 2014, p. 9).

As such, the inherent proposed theorizing accounts for the above considerations in the developing of the family-owner’s philanthropic identities, at the intersection between business and family structures (Jaskiewicz and Dyer, 2017). In doing so, this paper proposes the attaining of three authentic philanthropy statuses over the life cycle: *Relational*, *Generative* and *Integrated* (illustrated in Fig. 9).

Figure 9: Typology of authentic philanthropic identities over the life cycle



First, family business owners in the **Relational philanthropic identity** experience an expansion in both the business and family's spheres, due to a "widening range of obligations and responsibilities" (Erikson, 1997, p.111). It is during this period that traditional family development occurs in terms of marriage, birth and raising of children, and settling down (Gerisck et al., 1997). On the business side, the company is characterized by expansion and an increasing complexity to sustain growth in terms of strategy, operations, innovation, etc. While fully absorbed in bringing the family and the business up to sustainable levels, the family business owner's active roles in community and philanthropic engagement will likely be fostered by a joint effort with people with whom they have close relationships. In the **Relational philanthropic identity** status, individuals are more likely to be guided or "are pressed to give" (Hodge, 2003, p. 84), without much reflection on the giving act.

Second, the family business owner's **Generative philanthropic identity relates** to a more working commitment to care for self and care for the life cycles of others (Erikson,

1997; Marcia and Josselson, 2015). During this time, family business owners realize that a new family configuration takes shape after completing the phase of raising children. The family becomes 'a network of families' that requires broader 'intergeneration cooperation and communication' (Gerisck et al., 1997, p.82) to ensure the family's well-being. The firm may have achieved a dominant position in its market, after enduring increasing organizational complexity. Throughout the passing of time and after going through various significant life experiences, family business owners may assume a more visible role in the community with an expressed philanthropic purpose (Gerisck et al., 1997). The financial gifts might be larger but the philanthropic focus "remains on the institution, its mission, and its vision for the future" (Hodge, 2003, p. 84), without much personal involvement in specific causes.

Finally, the **Integrated philanthropic identity's** stage, despite being the most fruitful in terms of philanthropic engagement, is the period in the life cycle when family owners are confronted by continuous and inevitable loss (Marcia and Josselson, 2015). Up until this stage, there has been a sense of building towards the future. All the other stages have been concerned with major achievements and accumulation. The family dimension may have expanded to a network of new families, remarriages, step-marriages, with some close relationships and some detachments (Gerisck et al., 1997). The form of the business at this stage of development is of organizational stability, which also calls family owners to give up their position as managers to succeeding generations. However, it is in the midst of what seems to be an uneasy deconstructing period of life that family business owners become most "committed to values and beliefs, a sense of continuity with one's past and with the life cycles of other persons, and positive (non-egoistic) detachment" (Marcia and Josselson, 2015, p. 624). It is through this last stage that family business owners become more meaningfully involved with philanthropy, as if also sharing a piece of themselves with the

world, not only a portion of their assets (Hodge, 2003), to perhaps compensate for the loss of roles and status once experienced as head of the business and family. During this stage, the virtues and strengths of earlier stages can be synthetized to give rise to a new identity that finds "meaning through acts of philanthropy" (Hodge, 2003, p. 85).

Table 8: Philanthropic identities in the life-cycle development of family firms

Authentic Philanthropic Identity	Individual Development	Organizational Development
Relational	Young Adulthood	Expansion-Growth
	"Depth and commitment in relationship."	*"Emphasis is upon achieving rapid sales growth and amassing resources in an attempt to realize advantages accruing to a larger scale."*
Generative	Middle Age	Maturity
	"Involvement and inclusivity in care for self and others."	*"Formalization and control. The goal becomes smooth and efficient functioning. Maturity was expected to follow growth as sales levels stabilize..."*
Integrative	Old Age	Revival or Decline
	"Commitment to values and belief; continuity with past and others; positive detachment."	*"This is a phase of diversification and expansion of product-market scope (revival) or it reveals encroaching stagnation as markets dry up and firms begin to decline with them."*

Source: Based on Marcia and Josselson (2015); Miller and Friesen (1984)

4.5 Discussion and Implications for Future Research

This paper offers a theoretical account about how the attaining of authentic philanthropic identities can emerge over the lifetime of family businesses. Drawing on identity development theory (Erikson, 1997) and on organizational development theory (Müller and Friesen, 1984), this study presents a typology of authentic philanthropists identifying *Relational*, *Generative*, and *Integrated* as three types of philanthropic identity. These typologies are based on individual and organizational developments. Individual – young

adulthood, middle age, and old age – are evolutionary and expected stages of the human life cycle. Organizational development – expansion, maturity, and revival/decline – are a more artificial construct but are equally valid stages in determining the life cycle of the firm. The combination of individual and organizational developments produces a general typology and also creates a framework for future empirical research.

The paper also derives a model of authentic philanthropic development consistent with the above typology. This highlights the importance of intergenerational transmissions of family stories and generosity, and the significance of nuclear events over a lifetime. The value of the model lies in explaining the importance of personal authenticity that derives mostly from one's syntheses of unique life experiences defined as "the highlighted scenes in the life stories, crucial for the identity formation" (MacAdams, 1988, p. 62) and from received intergenerational values, usually from parent-child ties, allowing one to behave in accordance with one's true self rather than for the pursuit of personal or economic rewards from philanthropic engagement. As such, this paper suggests that the development of authentic philanthropic identities is a matter of progression. Each of the three generic types is expressive of social and financial desirable qualities that allow for the expression of philanthropic commitments.

4.6 Contributions to Theory and Practice

In light of growing societal wealth inequality, this paper replies to calls to unveil the underlying aspects that might prompt the development of philanthropy identities (Maclean, 2015; Downing, 2005; Politis, 2005). In doing so, it makes an important contribution to the growing academic field in which philanthropy intersects with family firms (Campopiano et al., 2014; Liz and Stewart, 2000; Feliu and Botero, 2016). This article develops a typology of authentic philanthropic identities over a lifetime that can signal important information in

regard to one's psychological and financial availability, which influence one's engagement with philanthropy. This particular characteristic of the model can be highly appealing, especially for practitioners and advisors working with family owners. For most wealthy owners, it is the significant event (nuclear episode) of what is called a 'liquidity event', such as receiving an inheritance or the selling of part or the whole of a company built up from scratch (Maclean and Harvey, 2020), that often prompt the emergence of philanthropic identities. For instance, anecdotal recounts have shown that significant philanthropic gifts are "most often made when donors are in their early seventies, through their eighties and beyond" (Hodge, 2003, p.85). This paper provides practitioners with an enhanced model to rethink their approach about how and when to make *the ask* to philanthropic engagement. Moreover, as the model herein suggests that the attaining of philanthropy identities is a staged and evolutionary process, this paper offers to family owners an opportunity to purposely promote intergenerational transmission such as prosocial behavior and empathy, which will aid the development of the next generation of family philanthropists. Given the growing presence of the next generation in the family business, how to prepare the younger generation to become ethical and socially responsible actors is of great importance for the family business continuity.

4.7 Limitations and future research

This paper focuses only on one single actor to derive the typology of authentic philanthropic identities – the family business owner. Although this can be a common situation, especially when this is a first generation of a family business, the model could also be applied for other types of family business situations when there is the involvement of multiple generation members. Taking into consideration different generational members could enhance the model even further for future research. Research has noted that later generations tend to make more

significant philanthropic gifts (Hodge, 2003). However, and considering the active role that the younger generation can play in the family business, it would be interesting to investigate if and how more younger family members engage in family firm philanthropy. Accordingly, previous research has shown that the philanthropic engagement of the younger generation increases the propensity for transgenerational intention, as it is likely to encourage the next generation of family members to take over the business. Moreover, research has shown that family firm philanthropy is organized through both family and business (Feliu and Botero, 2016). The model presented in this paper only takes into consideration the philanthropy organized through the family dimension. Further research could improve the model by integrating the philanthropy that is organized through the family business.

Another aspect that has not been considered in this paper is related to the governmental aspects that influence family firm philanthropy, such as the tax and regulatory environment. While controversial, regional and country tax incentives may be a decisive factor for family businesses that engage in philanthropy. Future research could also bring this aspect into the model this paper presents.

4.8 Conclusion

Family firms have a significant importance in the world economy and have long provided significant resources to tackle social problems (Campopiano et al., 2014; Liz and Stewart, 2000; Feliu and Botero, 2016), disrupting entrenched class hierarchies and creating opportunities for excluded communities: “contributing to the effort to build and sustain a more equal society” (Means, 2016, p. 986).

Philanthropy, however, is a complex concept and elite philanthropy has been largely criticized about its moral motivations to give (Eger et al., 2019) frequently related to the

personal preferences and values of the donors (Frumkin, 2008). As such, philanthropy, as a genuine act that ultimately aims to meet the most pressing social needs (Frumkin, 2008), has come under large scrutiny. This paper, therefore, proposes a conceptual model for the attaining of authentic philanthropic identity within the family business system over the lifecycle of family businesses. By observing the family owner's psychological development over time in relation to different stages of the family business development, this paper proposes three authentic philanthropic identities stages: *Relational, Generative*, and *Integrated* (Fig.9). The paper builds on psychological development theory (Erikson 1950) and the life cycle of the firm theory (Miller and Friesen, 1984), and it argues that the emergence of authentic philanthropic identities stages is an evolutionary process over a lifetime.

Society should rely on philanthropists that convey a narrative of philanthropic identity construction based on an enduring set of life values, rather than in instrumental and temporal approaches of self-interest to philanthropy. As family firms are rooted in an ethical drive that is largely influenced by the family's values in the organization, they offer a unique environment for the attaining of authentic philanthropic identities that, in turn, can increase the distribution of wealth.

References

Adams, M. and Hardwick, P. 1998. 'An analysis of corporate donations: United Kingdom evidence'. Journal of Management Studies, 35:5, 641–654.

Aschoff, N. (2015). The new prophets of capital. London: Verso.

Audretsch, D. B., & Hinger, J. R. (2014). From entrepreneur to philanthropist : two sides of the same coin? Handbook of Research on Entrepreneurs Engagement in Philanthropy.

Ball, SJ (2008) New philanthropy, new networks and new governance in education. Political Studies 56: 747–765.

Bauer, J. J., & Bonanno, G. A.. (2001). Continuity amid discontinuity: Bridging one's past and present in stories of conjugal bereavement. Narrative Inquiry, 11(1), 123–158.

Bhatnagar, N., Sharma, P., & Ramachandran, K. (2020). Spirituality and Corporate Philanthropy in Indian Family Firms: An Exploratory Study. Journal of Business Ethics, 163(4), 715.

Bishop M and Green M (2008) How the Rich Can Save the World: Philanthro-capitalism. New York: Bloomsbury.

Brammer, S. & Millington, A. (2006). Firm size, organizational visibility and corporate philanthropy: an empirical analysis. Business Ethics: A European Review, 15 (1), 6-18.

Campopiano, G., De Massis, A., & Chirico, F. (2014). Firm philanthropy in small- and medium-sized family firms: The effects of family involvement in ownership and management. Family Business Review, 27, 244-258.

Cruz, C., Larraza, K. M., Garcés, G. L., & Berrone, P. (2014). Are Family Firms Really More Socially Responsible? Entrepreneurship: Theory & Practice, 38(6), 1295–1316.

Donaldson, L. 2001. The Contingency Theory of Organizations. London: Sage.

Duquette, N.J. (2018) Inequality and philanthropy: High-income giving in the United States 1917–2012. Explorations in Economic History, 70, 25–41.

Gates Foundation. (2020). Retrieved June 26, 2020, from https://www.gatesfoundation.org/.

Dowing, S. (2005). The social construction of entrepreneurship: Narrative and dramatic processes in the co-production of organizations and identities. Entrepreneurship, Theory and Practice 29: 185-204.

Downs, A. (1967), "The Life-Cycle of Bureaus," in Downs, A., Inside Bureaucracy, Little, Brown & Co., San Francisco; 1967, 296-309

Eger, C., Miller, G., & Scarles, C. (2019). Corporate Philanthropy Through the Lens of Ethical Subjectivity. Journal of Business Ethics, 156(1), 141

Eisenbeiss, S. A. (2012). Re-thinking ethical leadership: An interdisciplinary integrative approach. The Leadership Quarterly, 23(5), 791–808.

Eisenberg, N., Fabes, R.A., Spinrad, T.L., 2006. Prosocial development. In: Eisenberg, N., Damon, W., Lerner, R.M. (Eds.), Handbook of Child Psychology, Social, Emotional, and Personality Development, sixth ed., vol. 3. John Wiley &Sons Inc., Hoboken, NJ, US, pp. 646–718.

Erikson, E. H. (1950). Childhood and society. New York, NY: Norton.

Erikson, E. H. (1959). Identity and the life cycle: Selected papers. Psychological Issues, 1, 1–171. Erikson, E. H. (1968). Identity, youth and crisis. New York: Norton

Erikson, E. H. (1968). Identity, youth and crisis. New York: Norton.

Erikson, E. H. (1980). Identity and the life cycle. New York, NY, US: W W Norton & Co.

Erikson, E. H. (1997).The Life Cycle Completed. Extended Version with New Chapters on the Ninth Stage of Development by Joan M. Erikson.

Fiese, B. H., & Pratt, M. W. (2004). Metaphors and Meanings of Family Stories: Integrating Life Course and Systems Perspectives on Narrative. In M. W. Pratt & B. H. Fiese (Eds.), Family stories and the life course: Across time and generations (pp. 401-418). Mahwah, NJ, US: Lawrence Erlbaum Associates Publishers.

Feliu, N., & Botero, I. C. (2016). Philanthropy in Family Enterprises: A Review of Literature. Family Business Review, 29(1), 121–141.

Frumkin, P. (2006). Strategic giving. the art and science of philanthropy. Peter Frumkin. University of Chicago Press

Gersick, K.E., Davis, J.A., & McCollum, M., & Lansberg, I. (1997). Generation to generation. Boston, MA: Harvard.

Greiner, L. (1972), "Evolution and Revolution as Organizations Grow," Harvard Business Rev., (July-August 1972), 37-46.

Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. (2011). Institutional complexity and organizational responses. Academy of Management Annals, 5(1), 317–371.

Guggenheim D. (Director), (2019). Inside Bill's Brain: Decoding Bill Gates (Netflix). United State

Harvey, C., Gordon, J., & Maclean, M. (2020). The Ethics of Entrepreneurial Philanthropy. Journal of Business Ethics, 1.

Hasenfratz, L., & Knafo, A. (2015). Prosocial Behavior, Effects of Parenting and Family Structure on. Elsevier Inc.

Hearn, S., Saulnier, G., Strayer, J., Glenham, M., Koopman, R., & Marcia, J. E. (2012). Between integrity and despair: Toward construct validation of Erikson's eighth stage. Journal of Adult Development, 19, 1–20.

Hodge, J. M. (2003). Transforming philanthropy: Generativity, philanthropy, and the reflective practitioner. New Directions for Philanthropic Fundraising, 2003(42), 83–97.

Hoffman, M. L. (2000). Empathy and moral development: Implications for caring and justice. Cambridge University Press.

Horvath, A., & Powell, W. (2016). Contributory or disruptive: Do new forms of philanthropy erode democracy? In R. Reich, C. Cord- elli, & L. Bernholz (Eds.), Philanthropy in democratic societies (pp. 226–243). Chicago: University of Chicago Press.

Jaskiewicz, P., Combs, J. G., Shanine, K. K. & Kacmar, K. M. (2017). Introducing the Family: A Review of Family Science with Implications for Management Research. Academy of Management Annals, 11(1), 309–341.

Kernis, M. (2003). Toward a conceptualization of optimal self-esteem. Psychological Inquiry, 14, 1-26.

Knight, Z. G. (2017). A proposed model of psychodynamic psychotherapy linked to Erik Erikson's eight stages of psychosocial development. Clinical Psychology & Psychotherapy, 24(5), 1047–1058.

Kivnick, H. Q., & Wells, C. K. (2014). Untapped Richness in Erik H. Erikson's Rootstock.

Kroft, Steve. "Michael Bloomberg's net worth is $47B, how will he use it?" CNN. 60 Minutes. August 27, 2017.

Le Breton-Miller, I., & Miller, D. (n.d.). Socioemotional Wealth Across the Family Firm Life Cycle: A Commentary on "Family Business Survival and the Role of Boards." Entrepreneurship Theory and Practice, 37(6), 1391–1397.

Levinson, D., Darrow, C., Klein, E., Levinson, M., & McKee, B. (1978). The seasons of a man's life. New York: Knopf.

Litz, R. A., & Stewart, A. C. (2000). Charity begins at home: Family firms and patterns of community involvement. Nonprofit Voluntary Sector Quarterly, 29, 131-148.

Lochner L. (2008) Intergenerational Transmission. In: Palgrave Macmillan, The New Palgrave Dictionary of Economics. Palgrave Macmillan, London.

Marques, P., Presas, P., Simon, A. (2014). The heterogeneity of family firms in CSR engagement: the role of values. Family Business Review, 27(3) 206-227.

Maclean, M., Harvey, C., Gordon, J., & Shaw, E. (2015). Identity, storytelling and the philanthropic journey.

Maclean, M. & Harvey, C. (2020). Crafting philanthropic identities. In A. Brown (Ed.), Oxford Handbook of Identities in Organizations. Oxford: Oxford University Press, 637-653.

Marcia, J. E. (1966). Development and validation of ego-identity status. Journal of Personality and Social Psychology, 3, 551–558. Marcia, J. E. (2002). Identity and psychosocial development in adulthood. Identity: An International Journal of Theory and Research, 2, 7–28.

Marcia, J. E. (2002). Identity and psychosocial development in adulthood. Identity: An International Journal of Theory and Research, 2, 7–28.

Marcia, J., & Josselson, R. (2013). Eriksonian personality research and its implications for psychotherapy. Journal of Personality, 81(6), 617–629

McAdams, D. P. (2008). Personal narratives and the life story. In O. P. John, R. W. Robins, & L. A. Pervin. (Eds.), Handbook of personality: Theory and research (3rd ed., pp. 242–262). New York, NY: Guilford.

McAdams, D. P. (2013). The psychological self as actor, agent, and author. Perspectives on Psychological Science, 8(3), 272– 295.

McAdams, D. P., & Cox, K. S. (2010). Self and identity across the life span. In R. Lerner, A. Freund, & M. Lamb (Eds.), Handbook of life span development (Vol. 2, pp. 158–207). New York, NY: Wiley

Mcadams, D. P. (1985). Power, Intimacy & The Life Story. Power, Intimacy & The Life Story.

McAdams, D. P., (1993) “The stories we live by: Personal myths and the making of the self”, New York: William Morrow & Company.

McAdams, D. P., & de St. Aubin, E. (1992). A theory of generativity and its assessment through self report, behavioral acts, and narrative themes in autobiography. Journal of Personality and Social Psychology, 62, 1003–1015.

Means, B. (2016). Wealth Inequality and Family Businesses. Emory Law Journal, 65(4), 937–986.

Merlin, L. & Nordqvist, M. (2007). The reflexive dynamics of institutionalization: The case of family business. Strategic Organization, 5, 321–333.

Miller, D., & Friesen, P. 1984. A longitudinal study of the corporate life cycle. Management Science, 30: 1161-1183.

O'Brien, J. L., (2010). Structural empowerment, psychological empowerment and burnout in registered staff nurses working in outpatient dialysis centers. New Jersey University, Ruters (2010).

Olson, P.D., Zuiker, V.S., Danes, S.M. Stafford, K., Heck, R.K., Duncan, K.A. The impact of the family and the business on family business sustainability. Journal of Business Venturing, 18 (5) (2003), pp. 639-666

Partha Deb, Cagla Okten, & Una Okonkwo Osili. (2010). Giving to family versus giving to the community within and across generations. Journal of Population Economics, 23(3), 1091.

Peterson, D. K. 2002. Deviant workplace behavior and the organization's ethical climate. Journal of Business and Psychology, 17: 47-61.

Pharoah, C. (2016) What motivates people to give their own private resources for the public good. In Jung, T., Phillips, S.D. and Harrow, J. (eds), The Routledge Companion to Philanthropy. London: Routledge, 71–87.

Piaget, J. (1963). The attainment of invariants and reversible operations in the development of thinking. Social Research, 30, 283-299.

Piketty, Thomas. 2011. "On the Long-Run Evolution of Inheritance: France 1820–2050." Quar- terly Journal of Economics, 126(3): 1071–1131.

Piketty, Thomas. 2014. Capital in the Twenty-First Century. Cambridge: Harvard University Press.

Politis, D. (2005) 'The process of entrepreneurial learning: a conceptual framework. Entrepreneurship', Theory and Practice, Vol. 29, No. 4, pp.399–424.

Pratt, M. W., & Fiese, B. H. (2004). Families, stories, and the life course: An ecological context. In M. W. Pratt & B. H. Fiese (Eds.), Family stories and the life course: Across time and generations (pp. 401-418). Mahwah, NJ, US: Lawrence Erlbaum Associates Publishers.

Quinn, R. E. and Cameron, K. (1983), "Organizational Life Cycles and Shifting Criteria of Effectiveness: Some Preliminary Evidence," Management Sci., 29 (January 1983), 33-51.

Reich, R. (2018) Just Giving: Why Philanthropy is Failing Democracy and How it Can Do Better. Princeton, NJ: Princeton University Press.

Sameroff, A., & Fiese, B. H. (2000). Transational regulation and early intervention. In S.J. Meisel & J. P. Shonkoff (eds.), Handbook of early childhood intervention (2nd ed., pp. 119-149). New York: Cambridge University Press.

Sokol. (2009). Identity development throughout the lifetime: An examination of Eriksonian theory. Graduate Journal of Counseling Psychology, 1(2), 139–147.

Van Gils, A., Dibrell, C., Neubaum, D. O., & Craig, J. B. (2014). Social issues in the family enterprise. Family Business Review, 27(3), 193–205.

Villadsen, K. (2007). The Emergence of "Neo-Philanthropy": A New Discursive Space in Welfare Policy". Acta Sociologica, 50, 309-23.

Wade, R. (2004). On the Causes of increasing world poverty and inequality, or why the Matthes effect prevails. New Political Economy.

Wang, J. and Coffey, B.S. 1992. 'Board composition and corporate contributions'. Journal of Business Ethics, 11, 771–778.

Ward, J. L. (1997). Growing the family business: Special challenges and best practices. Family Business Review, 10(4), 323–337.

Wolff, E. (1999). The Economy and Philanthropy. In C. T. Clotfelter & T. Ehrlich (Eds.), Philanthropy and the nonprofit sector in a changing America (pp. 73–98). Bloomington

5 Concluding Chapter

5.1 Revisiting the key Findings of the Three Papers

The theoretical and empirical analysis provided by this thesis suggest new ways of understanding the role that family firms, especially family business groups play in creating, preserving, and distributing wealth, which might implicate concerns regarding wealth inequality.

While prior literature in the area has studied the role of family ownership and inequality (Means, 2016), there has been a debate about how family firms create wealth that might reinforce disparities in wealth and opportunities and how they can, at the same time, ameliorate social inequalities. The distinction between creation, preservation, and distribution of wealth made possible by the corporate form, and the acknowledgement of the paradoxical nature of family firms, sheds light on and helps to reconcile contrasting positions. This dissertation shows that family firms can contribute to wealth inequality (Piketty, 2000) by creating and preserving wealth over generations, not only through operating businesses, but also through intergenerational transfers of capital and non-capital (Becker and Tomes, 1979, 1986) *(e.g., inheritance and abilities),* through the use of the code of law (Pistor, 2019) *(e.g., trusts, holding companies)*, and through the unique resources of family businesses that arise from the involvement of the family in the business, *familiness* (Mühlebachs 2004; Habbershon and Williams, 1999). These unique resources can also serve as a source of competitive advantage (Simon and Hitt, 2003; Hansson, 2015) and superior wealth creation for family firms (Rau, 2014). The extent to which *familiness* is a competitive advantage or disadvantage can be determined by a questionnaire profile developed by Mühlebach (2004).

At the same time, this dissertation shows that family firms can spur the distribution of wealth and promote upward social mobility of underprivileged communities when they develop both authentic philanthropic owners (on the family side) committed to social causes, and ethical leaders (on the business side) concerned about the interests of their employees and broader society. Thus, family firms can be a 'double-edged sword' producing net social costs and benefits. This very paradoxical role of family firms is viewed under the consideration of inherited wealth and the concentration of power made possible by the corporate form, and the equal power they have to disrupt entrenched class hierarchies to promote upward social mobility of unprivileged groups. The negative view of family firms in regard to wealth inequality seems surprising in light of the innumerous studies suggesting that family businesses have long been considered to differ from non-family enterprises in their approach to ethical behavior (e.g., Adams et al., 1996; Blodgett et al., 2011; Yusof et al., 2014) and to devote time, energy, and effort to behaving in an ethical way (Cruz et al., 2014; Marques et al., 2014). This thesis also reconciles these apparently contradictory views. It shows that family owners have the potential to attend claims regarding social practices as they have a bundle of unique resources, *familiness* (Habbershon and Williams, 1999; Simon and Hitt, 2003), resulting from the family involvement in the business, in the form of five resources: human capital, social capital, survivability capital, patient capital, and spiritual capital (Sirmon and Hitt, 2003). Moreover, spiritual capital (e.g., Abdelgawad and Zahra, 2020; Astrachan et al., 2020; Zohar et al. 2004), derived from the family's spiritual belief system, may play an important role in influencing ethical decisions at the business level that, in turn, may positively impact the life of the employees, especially low-ranking employees (Werner and Lim, 2016) and society at large. This work also shows that a family's values and virtues (Parada et al., 2020) play a critical role in how family systems develop authentic

philanthropic identities. In the face of raising social inequalities, the quest for authenticity in charitable giving should be seen as an underlying driver that pushes social initiatives to create pathways to upward social mobility of less privileged groups. Thus, although family owners may reinforce current disparities in wealth and opportunities (Means, 2016), they have a unique position in terms of resources available to them to approach social inequalities both from the family side (philanthropy) and the business side (ethical leadership).

5.2 Contribution to Theory

The papers of this cumulative thesis contribute to the growing research that frames social inequalities under family firm literature. The following offers an overview of the main contribution to theory of each paper.

Paper One contributes to economics and law research on wealth inequality by providing theoretical support in favor of the view that family firms, essentially, have a paradoxical nature and can thus produce disproportional wealth, due to their unique resources and access to various mechanisms of wealth creation (Means, 2006; Pistor, 2019). The paper also contributes to the literature on family firms by incorporating a resource-based view of the unique characteristics of family firms that may strengthen their capacity for wealth creation and concentration of wealth that, in turn, may contribute to increasing inequality. From a practical perspective, the paper brings awareness to family owners and family advisors with regard to assessing mechanisms to redistribute wealth outside the family as a mean of ameliorating societal inequalities.

Paper Two contributes to understanding the role of spiritual capital as a precursor to ethical leadership. First, we contend that spirituality is an important basis for the occurrence of spiritual capital. Relating this understanding to family businesses, where family and

business behaviors are interwoven, the family's spiritual belief system may play an important role in influencing decisions at the business level. In fact, shared family spirituality can be a key enabler of ethical leadership orientations that, in turn, may positively impact the life of the employees, especially low-ranking employees (Werner and Lim, 2016). Previous studies have focused on spirituality in family businesses in diverse forms; most of them have paid attention to it from a religious point of view, suggesting how religion influences such spiritual capital (e.g., Astrachan et al., 2020; Abdelgawad and Zahra, 2020), or how spiritual capital has an impact on management practices such as innovation or performance (e.g., Neubert et al., 2015; Zohar et al. 2004). This study expands current literature on spiritual capital by shedding light on possible antecedents of spiritual capital. These include shared spiritual values across members and generations, spiritual habits emphasizing the importance of rituals and other events that cultivate such spirituality, nuclear events that mark people's lives and develop their spirituality, and family heritage. The antecedents that emerge in this study go beyond religion, thus complementing previous studies in that sense. The findings also expand current knowledge on spiritual capital by providing outcomes in terms of ethical leadership practices that go beyond performance. Moreover, the paper contributes to ethical leadership literature by bringing the context of family business into play. Family businesses are well known for their long-term orientation and their commitment to their communities. Therefore, there is an intrinsic motivator to act ethically to help others and protect their reputation at the same time. Finally, the paper contributes to family business literature by joining a relevant conversation about ethical behavior in the family business (e.g., Abdelgawad & Zahra, 2020; Astrachan et al., 2020; Vasquez, P., 2018), where values and virtues play a critical role (Parada et al., 2020) in how family businesses develop their spiritual capital and in turn influence their expression of ethical leadership.

In light of growing societal wealth inequality, Paper Three replies to calls to unveil the underlying aspects that might prompt the development of philanthropy identities (Maclean, 2015; Downing, 2005; Politis, 2005). In doing so, it makes an important contribution to the growing academic field in which philanthropy intersects with family firms (Campopiano et al., 2014; Litz and Stewart, 2000; Feliu and Botero, 2016). This article develops a typology of authentic philanthropic identities over its lifetime that can signal important information in regard to one's psychological and financial availability that influence one's engagement to philanthropy.

5.3 Contribution to Practice

Besides the theoretical contributions outlined above, this dissertation also contributes to family owners and to the practice and daily work of practitioners within family businesses.

First, this dissertation shows that family firms, especially family business groups, have implications concerning imbalanced creation and distribution of wealth that, in turn, implicate unequal opportunities. Individual disparities in opportunities may be genuinely related to every desire of parents to use all available resources to give their children advantages in life. Naturally, it implies that children born into families of wealth will receive, for instance, better quality education and will have better job prospects that will give them a natural advantage over others. Based on that view, this dissertation ought to be concerned about the ways in which family business groups, due to the significant economic, social, and political power they have, can increase people's opportunities that might be sharply constrained because of the chance and circumstance of where they were born. From a practical perspective, this paper makes two important contributions. First, Paper Two shows that family firms can offer a fair workplace environment along with a comprehensive welfare

scheme that may prevent employees from the burdens of economic distress that could lead to poverty, particularly low-ranking employees. Like the firm in Paper Two, Magazine Luiza S.A., family firms can engage in ethical business practices that foster a business culture focused on people, fairness, and respect of others. Second, Paper Three offers a model to understand the formation of authentic philanthropic identities in the context of family firms. The model can be appealing, especially for practitioners and advisors working with family owners, because it can indicate the family owner's financial disposition to make donations according to his/her philanthropic stage over the lifetime. Moreover, the model suggests that intergenerational transmissions of generosity such as prosocial behavior and empathy behavior can add to the development of the next generation of family philanthropists. Given the growing presence of the next- generation in the family business, how to prepare the younger generation to become ethical and socially responsible actors is of great importance for family business continuity.

5.4 Limitations and Future Research

The respective paper chapters of this dissertation aim to contribute to the concerns that implicate family firms and wealth inequality. Though the dissertation has employed a variety of academic field and theories, and has offered promising venues for further research, the papers are subject to limitations, as discussed below.

The first paper starts a discussion about the role that family businesses groups may play in creating inequality, which is one of the most pervasive problems of our times (Piketty, 2000, 2014). The paper has aimed to cover earlier research at the intersection of family firms and wealth inequality, highlighting the factors that might enhance the creation and perpetuation of wealth across generations. The paper has approached the phenomena of

wealth inequality at the intersection with family firms mostly from economic and legal literatures, slightly approaching other perspectives, like the resource-based view theory. Further research should also extend the discussion from an organizational literature point of view. Further, despite offering a conceptualization for how wealth is created, this paper does not explore further literature that shows other causal pathways than business ownership that are also likely to produce wealth accumulation over time. Therefore, further research should be done to provide a more accurate analysis of all determinants of wealth creation and the implications to family business groups. Moreover, this paper concentrates on discussing only two mechanisms of the redistribution of wealth. Other mechanisms should also be considered, such as estate and inheritance taxes, as they are public mechanisms that directly impact family firms. Redistribution of wealth through taxes, though controversial, can also increase the welfare of wider society and further research should explore the intersection of family business, taxes, and inequality. Finally, to the extent that family firms are part of larger society, a comprehensive analysis of the complex problem of wealth inequality must have the involvement of the state and its importance in ruling public policies to address societal matters.

In Paper Two, this dissertation has aimed to investigate the link between spirituality and ethical leadership in family businesses but, as noted, this link is not always straightforward, and hence findings must be interpreted with caution. We used a single case, and this may be viewed as a limitation to our study. Yet, we had rich, in-depth interview data from multiple individuals, including family employees across generations and long-term non-family employees. The qualitative and interpretive focus of the study allowed a deep investigation of the antecedent factors of spiritual capital and how it translates into leaders' expressions of the four central ethical orientations (Eisenbeiss, 2012). Future research should

use data from multiple cases (Yin, 2018) to test the framework we presented here, as well as further explore other factors that may affect the occurrence of spiritual capital in family firms, and subsequently the expressions of ethical leadership dimensions at the organizational level (Leppäaho et al., 2016). Related to this limitation, the paper relied on data derived from interviews made with family and non-family employees selected by the ex-CEO and current chairperson of the board. Given our observations of ethical practices at the firm level, our responses may be somewhat biased towards a favorable interpretation of the influence of family values and heritage on business practices, especially because some of the non-family employees we interviewed have a long and personal relationship with the owning family. Having said that, we believe that the main contribution of our study is to unfold the antecedent factors of spiritual capital (Zohar et al. 2004) in family firms and to detail how spiritual capital affects ethical leadership. In our attempt to develop a conceptual framework, we show that these antecedent factors are related to family (values and heritage) and individual (spiritual practice and nuclear events) aspects but, as our data showed, separating these aspects is not as easy as one might expect. In fact, it might even be that there are other contributing factors that facilitate the occurrence of spiritual capital in the family firm context, and we encourage future researchers to work on that. Another limitation of this study is the fact that we did not develop the concept of the dispositions of spiritual capital. In fact, the literature on spiritual capital is dispersed, and it takes a different conceptualization and approach, depending on the field of study. With that in mind, further research is necessary to more clearly illuminate the concept of spiritual capital and how it develops and manifests in the family firm context.

We focused on a specific context (Welter, 2011), which adds diversity to research, as most studies usually emerge from Anglo-Saxon or European countries. Latin America has

been called an interesting context in which to study family businesses, as they have cultural idiosyncrasies that are worthy of study (Parada et al., 2020). Yet, this specific context may be enriched by adding cross-cultural studies, which would allow for a deeper understanding about how spirituality varies in its strength across countries, and how it can trigger ethical leadership behavior. Further, we encourage future research to explore the implications of organizations' ethical behavior on distribution of wealth and on wealth inequality. Prior research has suggested, for instance, that a living wage "can help people reach a *threshold* of autonomy" (Waltman, 2004, p. 85), which may prevent the widening of inequality, thus highlighting the importance of ethical leadership practices in the domains of work and broader society.

Paper Three questions the authenticity of elite philanthropy and suggests a model for the attaining of authentic philanthropic identities in the context of family firms. One of the limitations of the paper is the fact that it focuses only on one single actor to derive a typology of authentic philanthropic identities – the family business owner. Although this can be a common situation, especially when this is a first generation of a family business, the model could be enhanced by considering extended family members from various generations. Further, earlier research noted that family firm philanthropy is organized through both the family and the business (Feliu and Botero, 2016). The model presented in this paper only takes into consideration the philanthropy organized through the family dimension. Further research could improve the model by integrating the philanthropy that is organized through the family business. Another aspect that has not been considered in this paper is related to the governmental aspects that influence family firm philanthropy, such as the tax and regulatory environment, while controversial, regional, and country tax incentives may be a decisive

factor for family businesses engaged in philanthropy. Future research could also bring this aspect into the model this paper presents.

5.5 Conclusion

Few would want to live in a society constantly concerned about how inequality of opportunities constrain people's prospects in life. Unfortunately, that is the type of society where we living in today.

Inherently, families perpetuate inequality (Means, 2020); life chances will never be completely independent of circumstance of birth (Fishkin, 2016). Children who come from wealthy families inherit advantages that make it harder to advocate for equal opportunities. From this angle, family business groups (wealthy family owners) look like conductor of unmerited privileges and special advantages. Intergenerational transmissions provide heirs not only with capital *(inherited wealth)* but also with life abilities *(education, connections)* offering them a wealth of opportunities to get ahead in life. Yet, this dissertation has argued that family business groups can create paths to upward social mobility for unprivileged groups. By increasing the care and welfare of low-income employees, usually formed by minorities groups in terms of race, gender and ethnic communities, family business may prevent the widening of inequality. Likewise, to the extent that family values and spirituality temper a focus on continuity with a sense of social responsibility, family businesses can contribute to the effort to distribute wealth and build a more equal society.

In essence, family business groups should be assessed in the context of a society that is already defined by enormous inequality. Wealth inequality is a complex problem that implicates the broader society. This debate about wealth inequality and equality of

opportunity must involve private and public institutions. Still, family business groups have the possibility to play a major role in alleviating wealth inequality.

References

Abdelgawad, S. G., & Zahra, S. A. (2020). Family Firms' Religious Identity and Strategic Renewal. Journal of Business Ethics, 163(4), 775–787.

Adams, J., Taschian, A., & Shore, T. (1996). Ethics in family and non-family-owned firms: An exploratory study. Family Business Review, 9(2), 157–170.

Astrachan, J. H., Astrachan, C. B., & Campopiano, G. (& others). (2020). Values, Spirituality and Religion: Family Business and the Roots of Sustainable Ethical Behavior. Journal of Business Ethics, 163(4), 637–645.

Becker, G.S &Tomes, N (1979). "An Equilibrium Theory of the Distribution of Income and Intergenerational Mobility." Journal of Political Economy. Vol. 87, No. 6.

Becker, G.S &Tomes, N (1986). "Human Capital and the Rise and Fall of Families." Journal of Labor Economics. Vol. 4, No.3 pt.2, pp. S1-S39.

Blodgett, M., Dumas, C., & Zanzi, A. (2011). Emerging Trends in Global Ethics: A Comparative Study of U.S. and International Family Business Values. Journal of Business Ethics, 99, 29–38.

Campopiano, G., De Massis, A., & Chirico, F. (2014). Firm philanthropy in small- and medium-sized family firms: The effects of family involvement in ownership and management. Family Business Review, 27, 244-258.

Cruz, C., Larraza, K. M., Garcés, G. L., & Berrone, P. (2014). Are Family Firms Really More Socially Responsible? Entrepreneurship: Theory & Practice, 38(6), 1295–1316.

Dowing, S. (2005). The social construction of entrepreneurship: Narrative and dramatic processes in the co-production of organizations and identities. Entrepreneurship, Theory and Practice 29: 185-204.

Eisenbeiss, S. A. (2012). Re-thinking ethical leadership: An interdisciplinary integrative approach. The Leadership Quarterly, 23(5), 791–808.

Feliu, N., & Botero, I. C. (2016). Philanthropy in Family Enterprises: A Review of Literature. Family Business Review, 29(1), 121–141.

Fishkin, J. (2016). Bottlenecks: A New Theory of Equal Opportunity. Oxford University Press.

Habbershon, T., Williams, M.L., 1999. A resource-based framework for assessing the strategic advantages of family firms. Fam. Bus. Rev. 12 (1), 1–22.

Leppäaho T., Plakoyiannaki, E., and Dimitratos, P. (2016) The Case Study in Family Business. An Analysis of Current Research Practices and Recommendations. Family Business Review 29(2): 159–173.

Litz, R. A., & Stewart, A. C. (2000). Charity begins at home: Family firms and patterns of community involvement. Nonprofit Voluntary Sector Quarterly, 29, 131-148.

Maclean, M., Harvey, C., Gordon, J., & Shaw, E. (2015). Identity, storytelling and the philanthropic journey.

Marques, P., Presas, P., Simon, A. (2014). The heterogeneity of family firms in CSR engagement: the role of values. Family Business Review, 27(3) 206-227.

Means, B. (2016). Wealth Inequality and Family Businesses. Emory Law Journal, 65(4), 937–986.

Neubert, M. J., Bradley, S. W., Ardianti, R., & Simiyu, E. M. (2017). The Role of Spiritual Capital in Innovation and Performance: Evidence from Developing Economies. Entrepreneurship: Theory & Practice, 41(4), 621–640.

Parada, M., Müller, C. & Gimeno Sandig, A. (2020). Family businesses in Ibero-America: An introduction. Academia: Revista Latinoamericana de Administración, 29 (3), (pp. 219-230).

Piketty, T., A.B. Atkinson, & F. Bourguignon. (2000). Theories of persistent inequality and intergenerational mobility ; Handbook of Income Distribution.

Piketty, T. (2014). Capital in the twenty-first century. Thomas Piketty ; transl. by Arthur Goldhammer. Belknap Press of Harvard University Press.

Pistor, K. (2019). The code of capital. how the law creates wealth and inequality. Katharina Pistor. Princeton University Press.

Politis, D. (2005) 'The process of entrepreneurial learning: a conceptual framework. Entrepreneurship', Theory and Practice, Vol. 29, No. 4, pp.399–424.

Simon, D. G., & Hitt, M. A. (2003). Managing resources: Linking unique resources, management, and wealth creation in family firms. Entrepreneurship Theory & Practice, 339-359.

Vazquez, P. (2018). Family business ethics: At the crossroads of business ethics and family business. Journal of Business Ethics, 150(3), 691-709.

Waltman, J. (2004). The case for the living wage. New York: Algora Publishing.

Werner, A., & Lim, M. (2016). The Ethics of the Living Wage: A Review and Research Agenda.

Welter, F. (2011). Contextualizing Entrepreneurship-Conceptual Challenges and Ways Forward. Entrepreneurship: Theory & Practice, 35(1), 165–184.

Yin, R.K. (2018) Case Study Research and Applications (6th edn). Thousand Oaks, CA: Sage.

Yusof et al. (2014). The Influence of Spiritual Leadership on Spiritual Well-Being and Job Satisfaction: A Conceptual Framework. International Review of Management and Business Research, Vol. 3 Issue.4.

Zohar, Danah, and Ian Marshall. Spiritual Capital: Wealth We Can Live By. San Francisco: Berrett-Koehler Publishers, Inc., 2004.

LUCIANA LUCENA DE LIMA

Nationality:	Brazilian
CH Permit:	C
Children:	2 daugthers
Address:	Freilagerstrasse 55 8047 Zurich
Phone:	+41 79 393 7330

EXPERIENCE

04.2018 – actual	**ST GALLEN UNIVERSITY,** St Gallen, CH PhD Candidate
03.2016 – 03.2018	**CREDIT SUISSE, WEALTH MANAGEMENT INTERNATIONAL,** Zurich,CH Investment Consultant, Project Manager
04.2012 – 07.2015	**LGT VENTURE PHILANTHROPY**, Zurich, CH Partnership Manager
02.2009 – 01.2012	**UBS AG – WEALTH MANAGEMENT INTERNATIONAL,** Zurich, CH Client Relationship Manager Assistant, Project Manager
01.2006 – 01.2008	**CITIGROUP, New York, US** Client Relationship Manager Assistant
08.2000 – 07.2005	**MCKINSEY & CO, Sao Paulo, BR – New York, US** Associate

COMPETENCY PORTFOLIO

Relationship, Advisory Management and Private Banking

- Track record of advising high net worth clients in relation to ongoing investments, business development and administration of business affairs. Managed a portfolio with CHF 750 Mio in assets under management. Market area: Latam.
- Worked in close consultation with clients to tailor financial strategies to meet their individual needs and both short and long term financial objectives.
- Developed and maintained relationships with internal departments including compliance, legal, wealth planners, investment advisors to timely and effectively support the client's activities.
- Day-to-day client requests and orders (e.g.: trading, trouble shooting, cash management, risk management, client documentation, client reporting, general administration etc).
- Increased access to potential clients through participation in local communities, individual research, teaching and international conferences.
- Deep expertise working with high-net worth and ultra-high-net worth individuals and families and strong understand of their needs and of the issues they face.
- Solid aptitude for building trusting relationships with broad group of stakeholders, prospects and clients as well as diverse family members.

Leadership, Project Management

- Managed a team of 8 people as an engagement manager. Mentored and trained junior consultants.
- Part of the team that launched the UBS subsidiary in Sao Paulo.
- Created and managed a community of impact investors to support seed investing in start-ups companies.
- Mentoring to undergrad students and supervising of bachelor thesis.

Knowledge and Ethical Standards

- Co-author of a forthcoming book featuring some of the wealthiest family owners in Brazil. Author of several forthcoming academic articles accepted for publication in leading international journal. Lecturer in the field of banking and financial markets.
- Research in the field of UHNW family firms focused on wealth inequality, philanthropy, family governance and ethical leadership.
- Visiting Researcher at ESADE University in Barcelona, Spain.
- Analytical with strong numeracy skills, systematic and thinking skills. Excellent attention to detail and strong organizational skills. Ability to use initiative and work independently.
- Excellent communication skills, written and verbal. Problem solving and team oriented. Strong client care and service orientation.
- High ethical standards, with regard to respecting others and work ethics.

Languages

- Portuguese, English, Spanish, German (A2)

Selected Education and Trainings

2021	**University of St Gallen,** St Gallen, CH Ph.D. in Management *Thesis: Essays in Family Firms: The Paradox of Family Business Groups and Wealth Inequality*
2021	**STEP, Advising Families Across Generations,** UK Advanced Certificate in Family Business Governance *Awards: With Distinction*
2020	**The Family Firm Institute,** Boston, US Certification of Family Wealth Advising *Awards: 2019 FFI GEN The Crystal Private Group Scholarship*
2005 – 2007	**Columbia University,** New York, US Master in International Affairs *Awards: Dean's Distinguished Student Award*
2003 – 2005	**Fundação Getulio Vargas,** Sao Paulo, BR Master in Business Administration
1996 – 2000	**Fundação Getulio Vargas,** Sao Paulo, BR - Paris, FR Bachelor of Arts, Business Administration *Awards: BBA-Itau Bank's full program scholarship*

Professional Affiliations

- Member of the Family Firm Institute (FFI)
- Member of the STEP, Advising Families Across Generations, UK

Other Activities

- Certified Spinning Instructor
- Triathlete, Marathon Runner