



Laissez-faire leadership, trust in subordinates and problem-solving conflict management: A multigroup analysis across family and non-family businesses

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ABSTRACT

Laissez faire leadership (LFL) has been linked to non-constructive approaches to conflict management, yet *if* and *how* LFL can explain the use of more constructive approaches (e.g., problem-solving) has not been studied. This is surprising given that *trust in subordinates* is characteristic of LFL, which is also key to cooperative relationships where the use of problem-solving is involved. Furthermore, compared to non-family businesses (NFBs), the socioemotional wealth that governs family businesses' (FBs) decision-making should make LFL, the trust placed in subordinates and the use of problem-solving more likely among the latter. In this study, we compare the use of LFL in FBs versus NFBs and analyze whether trust in subordinates lies behind a positive link between LFL and the use of this approach, and whether the distinctive socioemotional wealth of FBs accounts for differences in this relationship. Using a sample of 326 general managers of small and medium-sized enterprises (SMEs) in Ecuador, two complementary methods, partial least squares (PLS) and fuzzy-set qualitative comparative analysis (fs/QCA), yielded robust findings. As expected, differences in the strength of this relationship were found across FBs and NFBs, with LFL and both affective and cognitive trust being critical for the use of problem-solving in FBs but with cognitive trust playing this principal role in NFBs. Our findings link the largely separate FB literature on leadership and conflict management.

1. Introduction

Today, the high degree of dynamism, uncertainty and complexity that businesses face, coupled with the subsequent growth of conflicts emerging within businesses (Todorova et al., 2022), has engendered major interest in understanding how conflicts can be effectively solved (Bhayana, Gupta, & Sharda, 2021). Conflicts occur when there are differences in needs, beliefs, values, opinions or goals among the members of an organization, and are predicted to have highly detrimental effects on a business' well-being and performance if they are inadequately resolved (Elgoibar et al., 2021). Leaders are principally responsible here; they are crucial for the effective resolution of conflicts (Obi et al., 2021), and *how* leadership is linked to the use of effective approaches to address conflicts is therefore of interest today.

Compared with other options in which the concerns of one of the parties in the conflict are unmet (i.e., yielding, forcing, avoiding) or are

half-heartedly met (i.e., compromising), problem-solving—which integrates conflicting parties' interests and fosters collaborative work to reach acceptable solutions—is a highly effective approach (Cheng et al., 2020; De Dreu et al., 2001). Thus, the analysis of the causes leading to the use of this approach to conflict management among managers is interesting, especially in family businesses (FBs), wherein the family, business, and ownership arenas converge, creating complex interpersonal and group dynamics where conflicts easily emerge (e.g., between family and non-family members; Caputo et al., 2018) and the use of effective conflict management approaches is required in order to avoid the demise of the FB (Caputo et al., 2018).

The study of ways to promote problem-solving among leaders of FBs is no trivial matter, given the high complexity that these businesses entail (Caputo et al., 2018), which causes them to behave differently from non-family businesses (NFBs) (Gomez-Mejia et al., 2011). Defined as a type of business that is “managed with the intention to shape and

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pursue the vision of the business (es) held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations” (Chua et al., 1999, p. 28) FBs are, as a class, major contributors to the economy (by employing two thirds of the global workforce and generating over 50% of the world’s gross domestic product; PwC Family Business Survey, 2021; Family Firm Institute, 2017). Importantly, there is major interest among FB decision makers in preserving and building socioemotional wealth, that is, the affective endowments (family control, family identification with the firm, binding social ties, emotional attachment among family members, and dynastic succession) that family members invest and receive as part of their involvement in the FB (Cennamo et al., 2012). As such, FBs are distinct from NFBs in terms of the goals pursued and practices adopted (Gomez-Mejia et al., 2011) because they mainly prioritize social outcomes (Step Project Global, 2022). Existing research reveals, for example, greater concern and interest among FBs in building socially binding ties with all stakeholders, including family and non-family employees (Christensen-Salem et al., 2021; Reina et al., 2022) and a focus on social responsibility (García-Sánchez et al., 2021; Sánchez-Bueno et al., 2020). This distinctiveness is also expected to be reflected in the leadership and conflict management methods used by managers of FBs as opposed to those of NFBs (Gomez-Mejia et al., 2011), an area that has been researched and analyzed very little (Alvarado-Alvarez et al., 2021; Fries et al., 2020).

This study first explores leadership in FBs vs NFBs, and specifically laissez faire leadership (LFL), a form that has been traditionally labeled as ineffective (Judge & Piccolo, 2004) because of its association with absence of leadership and the non-provision of information or feedback to subordinates (Bass & Bass, 2008). Despite being one of the seven leadership styles identified in FBs (Fries et al., 2020), LFL has received little attention in such contexts (Robert & Vandenberghe, 2022), with some recent studies suggesting that further work is needed to clarify the mechanisms and boundaries of its use in the workplace (Robert & Vandenberghe, 2021). Despite evidence of the use and viability of LFL in these contexts (Corrales-Villegas et al., 2018; Fries et al., 2020), apart from a few exceptions (e.g., Bernhard & O’Driscoll, 2011; Corrales-Villegas et al., 2018), there has been very little quantitative research on this topic. However, LFL might be more prevalent in FBs, as their interest in preserving socioemotional wealth (e.g., family control) over financial goals (family first and foremost; Sorenson, 2000) could lead top leaders to co-opt family members into managerial positions despite their inadequate abilities or knowledge (of the full range of effective leadership models, for example) (Caputo et al., 2018; Sorenson, 2000). Thus, the first objective of this study is to test whether LFL is more likely in FBs than in NFBs.

This study also tests whether LFL is more positively linked to the use of problem-solving in FBs than in NFBs. While some studies consider that LFL equates to absence of leadership (i.e., employees receive little support, feedback, or inspiration from the leader; Bernhard & O’Driscoll, 2011; Hogg et al., 1995) as well as avoidance of conflict management (Saeed et al., 2014) or the addressing of crucial challenges (Santiago, 2015), others have argued that there are positives associated with LFL (e.g., propensity for innovation (Yang, 2015) and engagement among subordinates (Giao & Hung, 2018)), especially depending on the surrounding context (Yang & Li, 2017). Sorenson (2000), for example, claims that under a laissez faire culture, which is likely to be present in FBs, a broad margin is granted to subordinates in terms of decision-making, reflecting the high level of trust that leaders appear to have in them. Given, then, that trust is a prerequisite for information-sharing and collaboration between parties, often for the purposes of problem-solving (Cheng et al., 2020), LFL could be linked to the way that conflicts with employees are solved. In any case, existing research has repeatedly linked LFL to conflict avoidance behaviors (Saeed et al., 2014; Tanveer et al., 2018) although it is still unknown whether LFL is also connected to problem-solving due to the greater trust that LF managers might have in their subordinates, or whether the

concerns about socioemotional wealth that guide decisions in FBs are of much help in this regard. Since this study starts from the assumption that the context, defined by the type of firm, influences the main outcome analyzed in this study (namely the use of a problem-solving approach to conflict management by laissez faire leaders), we take into account the possibly greater affective and caring orientation of FBs (vs. NFBs). Thus, concerns about socioemotional wealth are a primary reference for many of the decisions made by top leaders at FBs (Gomez-Mejia et al., 2011) and we believe that family owners may be guided by the need to safeguard the reputation of the family name, with implications directed, among others, at ensuring harmony for both family and non-family members (Christensen-Salem et al., 2021; McLarty & Holt, 2019) and the building of binding social ties and fostering of connectedness in the workplace (Christensen-Salem et al., 2021; Reina et al., 2022). Thus, in FBs, LF leaders should present higher levels of trust in subordinates and constructive approaches to conflict management. Following previous research (McAllister, 1995; Tomlinson, Lewicki, & Ash, 2014), trust is divided into two types: cognitive trust, most often related to the workplace, in which people tend to trust on the basis of competences perceived, and affective trust, which includes common values and the creation of a personal relationship. The latter is expected to be promoted in FBs more than in NFBs, influenced by the greater focus on socioemotional wealth of the former compared to the latter. Consequently, a second objective is to test whether the two types of trust in subordinates— affective, cognitive—and the use of a problem-solving approach by managers practicing LFL are more likely to occur in FBs than in NFBs. This objective also answers the call by Azizi et al. (2017) for future family business research to consider an integrative model of trust.

In pursuing these two objectives, this study makes five important contributions to the literature. First, by testing the potential link between LFL and trust in subordinates and the use of problem-solving, we further develop Yang’s (2015) suggestion that LFL also has a bright side. Second, our test and socioemotional wealth-based rationalization of greater use of LFL among FBs build on Fries et al. (2020) by highlighting the potential preponderance of this style in these businesses and add to the small number of studies of LFL in FB contexts. Third, by examining the FB-NFB typology as a boundary condition that leads LF managers—who have been viewed as commonly avoiding conflicts; Saeed et al., 2014—to have greater trust in subordinates and the use of problem-solving in the case of FBs, we add to the range of positive implications associated with the preservation of socioemotional wealth in FBs (Christensen-Salem et al., 2021; García-Sánchez et al., 2021; Sánchez-Bueno et al., 2020). Finally, we study all these relationships in the highly collectivist Ecuadorian society (Hofstede Center, 1967–2010), where people tend to view themselves as part of a group whose goals and connectedness are prioritized, which makes them likely to be more trusting (Westjohn et al., 2022) and willing to cooperate in conflicts (Wong, Wei, et al., 2018). So, by testing whether LFL is linked to the use of problem-solving in Ecuador, this study may shed light on the positive role of collectivism in encouraging a problem-solving approach to conflict management.

2. Theoretical framework

2.1. The emergence of LFL: the differential impact of socioemotional wealth

LFL is typically connected to subordinates who receive little support or guidance from their leaders (Bass & Bass, 2008; Wong & Giessner, 2018), although they might receive a certain amount of input regarding a broad set of goals to pursue (Fries et al., 2020). From a theoretical perspective, this relative lack of involvement can also entail the opportunity to build the strong affective relationships (Hogg et al., 1995) that foster a sense of ownership among the employees of FBs (Bernhard & O’Driscoll, 2011). Yang (2015), for example, suggested that LFL “may

not always be equal to avoidance, ignorance, neglect and indifference towards the needs of their followers” (p. 1247), meaning that subordinates, in certain contexts (e.g., with high empowerment expectations that are fulfilled) might experience LFL as empowering (Wong & Giessner, 2018). Such empowerment could certainly be perceived by followers as happening by default, rather than being due to an active developmental strategy (Bass & Bass, 2008). However, as Yang (2015), Sorenson (2000) and Corrales-Villegas et al. (2018) suggest, LFL may still be linked to the notion of granting autonomy and freedom to employees, which seems indicative of these leaders placing strong trust in them (cf., Legood et al., 2021). Hence, socioemotional wealth-based considerations could easily lead to the emergence of LFL among FBs. This is because, as has been widely noted, families are inclined towards maintaining their control over their businesses, meaning that job placements are often driven by family loyalties first, to the detriment of job-related competencies and professionalism (Fries et al., 2020; Gomez-Mejia et al., 2011). Moreover, recruitment processes in FBs are especially likely to be based on blood ties rather than managerial skills (Bello-Pintado & Garcés-Galdeano, 2019; Cennamo et al., 2012), given that the dominant goal is to benefit family members rather than to make profit-motivated decisions (Alvarado-Alvarez et al., 2020). This could easily result in senior positions being filled by people with little experience, knowledge or qualifications (Sorenson, 2000), who do not know how to act in their managerial positions and/or feel it would be best to leave subordinates alone to do their jobs. These people may be unaware of the full range of alternative leadership styles (Fries et al., 2020) and think the use of LFL is a suitable approach (Allen, 2010) and they may view the use of such an approach as a sign of respect for subordinates’ boundaries, rather than zero leadership (Yang, 2015).

In comparison, socioemotional wealth-based considerations tend to be absent among NFBs, which we expect to practice relatively less LFL and instead feature a greater consideration of work-related competencies and professionalism in job placement decisions (Gatewood et al., 2019). In consideration of the foregoing.

H1. *LFL will be more prevalent in FBs than in NFBs.*

2.2. LFL and affective/cognitive trust in subordinates: FBs versus NFBs

In addition to a lack of awareness of the full range of leadership possibilities (cf. Fries et al., 2020) and the downsides of this style of management, LF leaders may tend to have high levels of trust in their employees that, in their minds, justifies such an approach. *Laissez faire* literally means “allow to do” (Encyclopedia Britannica, 2023) [in a business context, “to allow employees to do as they please”], which implies placing trust in the people who are allowed to do certain things (Al-Malki & Juan, 2018). Indeed, Yang (2015) suggests that a positive aspect of LFL is that it expresses trust in subordinates, which has both affective (grounded in emotion-driven interpersonal bonds) and cognitive (grounded in rational beliefs and knowledge based on someone’s integrity, reliability and competence) dimensions (McAllister, 1995). This is likely to be a natural inclination for LF leaders as they tend to believe that close monitoring of employees is unnecessary (Ali & Ullah, 2023).

This tendency is likely to be enhanced in FBs versus NFBs, because one of the ways families protect socioemotional wealth is through deliberate efforts to foster a caring environment for their employees and to build social ties *with* and *among* them (Christensen-Salem et al., 2021). Trust is even viewed as a “culture within family businesses” (Azizi et al., 2017, p. 2). Furthermore, FB managers are very keen for their employees to view their business as an extension of their own families (García-Sánchez et al., 2021), which is not easy to achieve if they do not feel they are trusted. Trust is therefore considerably more likely to arise in supportive contexts (Elgoibar et al., 2021) such as FBs, which have such a vested interest in meeting their employees’ concerns (Firfiray & Gomez-Mejia, 2021). Furthermore, in FBs the building of

trust-and-solidarity-based relationships with employees is a strategic imperative (Reina et al., 2022; Sundaramurthy, 2008) to achieve a sense of participation among employees (Firfiray & Gomez-Mejia, 2021) and to develop human capital (Bello-Pintado & Garcés-Galdeano, 2019). Participation in decision-making and influence requires trust in the other party, that is, the employees (Elgoibar et al., 2021), so when managers of FB promote employee participation in decision-making processes, they are placing both affective and cognitive trust in this process and developing a collective identity (Azizi et al., 2017). Hence.

H2. The positive relationship between LFL and both affective (H2a) and cognitive (H2b) trust in their subordinates will be stronger in FBs versus NFBs.

2.3. LFL and problem-solving as a conflict management style: the impact of socioemotional wealth

Conflicts at work, defined as “interactive processes manifested in incompatibility, disagreement, or difference within or between social entities” (Rahim, 2002, p. 207), arise from diverse perspectives, values, attitudes and objectives among the members of an organization (Dijkstra et al., 2011). These dynamics are a normal and unavoidable aspect of corporate life and although they can often be positive for organizations (i.e., as sources of innovation and performance; Tjosvold, 2008; De Wit et al., 2012), they require prompt resolution and need to be managed appropriately. Five types of approach are available to managers (i.e., yielding, forcing, avoiding, compromising and problem-solving; De Dreu et al., 2001)—which differ from one another in terms of the level of concern that a particular user of the leadership approach has for their self and others in managing the conflict. Of these approaches, problem-solving is likely to be the most cooperative (Tjosvold, 2008). Indeed, the others imply considering other people’s interests (yielding), imposing one’s interests on others (forcing), ignoring the existence of a conflict (avoiding) and/or seeking middle ground—i.e., all parties involved yield some of their needs or concerns (compromising). However, problem-solving encompasses the highest levels of concern for meeting both one’s own interests and those of others, the aim being for everyone involved in the conflict to be able to communicate their needs and work together to reach a solution that should satisfy all parties and lead to a lasting solution (Rahim et al., 2018; Saeed et al., 2014).

In FBs, conflicts may be on fertile ground (Alvarado-Alvarez et al., 2020; Caputo et al., 2018; Kubíček & Machek, 2020; Qiu & Freel, 2020), possibly leading to threats to the preservation of socioemotional wealth (Rousseau et al., 2018). It is no surprise that FB managers are likely to naturally lean toward approaches to conflict management that focus on mitigating negative emotions for all implied (Alvarado-Alvarez et al., 2020). Specifically, the use of problem-solving is likely to be the preferred option in FB contexts because it is so effective for triggering positive emotions among the parties involved (cf., Einarsen, Skogstad, Rørvik, Lande, & Nielsen, 2018) due to its strong collaboration-inducing approach (Elgoibar et al., 2021) focused on reaching an optimal win-win solution (De Dreu et al., 2001). This view is consistent with Alvarado-Alvarez et al. (2021), who theorized that the interplay between the emotional and economic interests that characterize FBs, where there is a predominance of non-economic goals, such as the preservation or building of socioemotional wealth (family reputation, binding social ties among all members of the organization, etc.), is likely to lead to collaborative approaches to conflict management.

In choosing problem-solving to manage conflicts, active leadership styles such as transformational (Saeed et al., 2014) and servant leadership (Wong, Liu, et al., 2018) have been shown to be an important positive antecedent. Unsurprisingly, LFL—possibly due to its connection with not dealing with work-related problems or avoiding decision-making (Robert & Vandenberghe, 2021)—have not been positively related to the use of problem-solving (Saeed et al., 2014). However, given that its use involves strong trust in subordinates, which

is a driver of the social system (Arrow, 1974) and an important stimulus for social exchanges and relationships (Blau, 1969; Yang, 2014), LF leaders might opt to seek a constructive way to explore the differences between the various parties. Collaborative approaches such as problem-solving are especially critical in contexts of strong socioemotional wealth (i.e., FBs), whose protection and preservation is a major concern, and where binding social ties and connectedness with all employees are top priorities (Christensen-Salem et al., 2021; Reina et al., 2022). So, having highlighted the possibility of ties between LFL and trust levels in employees, along with the socioemotional wealth-related implications for the role of trust (Christensen-Salem et al., 2021; Sundaramurthy, 2008), we expect these tendencies to have distinct implications for conflict management in FBs versus NFBs. We defend this prediction by drawing on socioemotional wealth theory, which argues that FB leaders attach major weight to the avoidance of all risk of damage to the reputation of the firm (Cennamo et al., 2012) or the family name (Christensen-Salem et al., 2021). Thus, insofar as conflicts with employees can potentially have a negative impact on such reputations (Rousseau et al., 2018), and given the priority interest among FBs in the building of trust-based social ties and connectedness in the workplace (Reina et al., 2022), the use of collaborative approaches to address conflicts is expected to be greater in FBs than in NFBs.

Hence, we expect LF managers in FBs to use problem-solving because the emphasis on collaboration is aligned with their top leaders' desire to protect socioemotional wealth (e.g., a favorable family reputation derived from greater concern for employees and the building of social ties with subordinates, among other things; Christensen-Salem et al., 2021; Cennamo et al., 2012). Furthermore, as we argued earlier, we expect them to use problem-solving to resolve conflicts (Alvarado-Alvarez et al., 2020; Saeed et al., 2014) because of their tendency to trust their subordinates, who need to be critically involved and open to distinct perspectives and the exchange of information (Yang, 2014). Indeed, trust is a necessary feature for social interactions to develop (Yang, 2014), which, in turn, streamlines the acquisition of information (e.g., opinions, concerns, outlooks) and the achievement of a full understanding of the problem in question. All of the foregoing are critical elements in the development of problem-solving approaches to conflict management (Todorova et al., 2022). In any case, a socioemotional wealth-based preference for collaboration and binding social ties among all members of FBs (Alvarado-Alvarez et al., 2020; Christensen-Salem et al., 2021) should make LF managers more inclined to use problem-solving. In comparison, we predict that LF managers of NFBs, where collaborative pressures are inherently less apparent, will be far less inclined towards problem-solving. Hence.

H3. The positive relationship between LFL and the use of problem-solving conflict management will be stronger in FBs versus NFBs.

2.4. The mediating role of trust in LFL's use of problem-solving: FBs versus NFBs

Conceptually, a positive link between LF managers' higher levels of trust in their subordinates and the use of problem-solving is anticipated because, by definition, the successful use of this approach requires cooperation and information-gathering and exchange, as well as the identification of the areas of mutual concern (Cheng et al., 2020; Dijkstra et al., 2011). Indeed, LF managers tend to trust their subordinates (Legood et al., 2021; Yang, 2015), and trust encourages mutual cooperative relationships (Ferrin et al., 2008) and strong social networks in which information is exchanged (Linuesa-Langreo et al., 2018). Accordingly, trust may be portrayed as a precursor to the use by LF managers of problem-solving for conflict management (cf., Alvarado-Alvarez et al., 2020; Elgoibar et al., 2021).

Although we expect both affective and cognitive trust in subordinates to mediate the relationship between LFL and problem-solving, their relative importance may vary across FBs and NFBs, as context (cf.,

Oc, 2018) is likely to play a role in how trust contributes to the use of problem-solving by LF managers (Elgoibar et al., 2021). Specifically, cognitive trust is likely to be implicated in both contexts, as subordinates' competence, commitment and cooperative behavior are all critical elements for successful use of problem-solving approaches to conflict management (Boštjančič et al., 2020). Without it, LF managers may find it more difficult to engage in conflict resolution from an approach that requires this trust in the abilities of subordinates to be successful. The exception is FBs, where affective trust may be critical for explaining the relationship between LFL and the use of problem-solving. The interest among FBs in building and preserving socioemotional wealth (e.g., family image and strong binding social ties with all stakeholders, including employees; Christensen-Salem et al., 2021; Reina et al., 2022) may cause their managerial practices (e.g., conflict management) to have a strong affective component (i.e., friendship, caring, kinship; Christensen-Salem et al., 2021) in order to avoid the loss of socioemotional wealth should the employees view the firm and family unfavorably. This should make it easier for LF managers to use problem-solving to address conflicts with subordinates. Hence, both trust dimensions may help to explain the use of problem-solving by LF managers of FBs. Meanwhile, among NFBs, where socioemotional wealth-based concerns (as opposed to economic ones) are absent or may not be dominant (Cennamo et al., 2012; Christensen-Salem et al., 2021; Firfiray et al., 2021), we expect cognitive trust to dominate, as it is more closely tied to the extent to which people have the knowledge, skills and reliability required to perform the job, which, in turn, is typically tied to financial gains for the firm (Gatewood et al., 2019). Thus, while both affective and cognitive trust should be implicated in the use of problem-solving by LF managers of FBs, cognitive trust (rather than affective trust) should be predominant among NFBs. Hence.

H4. Affective and cognitive trust will mediate between LFL and the use of problem-solving conflict management.

H4a. In FBs, both affective and cognitive trust will mediate between LFL and the use of problem-solving.

H4b. In NFBs, only cognitive trust will mediate between LFL and the use of problem-solving.

2.5. The application of fuzzy-set qualitative comparative analysis (fs/QCA)

This study employs the analytic technique of fuzzy set QCA (fs/QCA). The application of this methodology to business research has increased considerably in recent decades (Kraus, Ribeiro-Soriano, & Schüssler, 2018), and this includes studies involving family business (González-Cruz & Cruz-Ros, 2016). The main reason is that this methodology can capture a high degree of complexity derived from the interactions between factors rather than focusing on the single effects of individual variables (Woodside, 2013). In this study, this interaction relates to how leadership style (*laissez faire*) and trust (affective and cognitive) affect styles of conflict management (problem-solving) in two different contexts, FBs and NFBs. This study analyzes "which combinations in terms of affective and cognitive trust" contribute to the use of problem-solving by LF leaders in FBs and NFBs.

The use of this method contributes to the field, as previous research on leadership and conflict behavior has relied on regression analyses, limiting the impact of the combination of factors occurring in a given context (González-Cruz & Cruz-Ros, 2016). Fs/QCA offers the possibility of bringing these interactions to the forefront. Following Kraus and colleagues (2018, p. 3), "when these causes work together to produce the outcome, fs/QCA represents an appropriate method." In addition, research has called for the use of fs/QCA to complement quantitative methodology as it serves as a bridge between quantitative and qualitative methods (Aguilera-Caracuel et al., 2014). In this study we answer this call, as our sample and data follow the statistical requirements

(Ragin, 2008b) and although previous research has suggested that this method is more appropriate with small samples, some studies have also defended the use of fs/QCA with larger samples (Eng & Woodside, 2012).

This research uses fsQCA to evaluate combinations of the leadership style characteristics and type of company (FBs and NFBs) in terms of the type of trust (affective or cognitive) and level thereof that lead to the use of problem-solving conflict management. Thus, the same outcome might arise from diverse combinations of causal factors (Miranda et al., 2018; Ragin, 2008). We expect the LFL style, affective trust and cognitive trust and type of company in different combinations to be sufficient to predict a high overall problem-solving approach, but for none of these to be sufficient in isolation. The QCA method assumes that these antecedents mutually influence one another (Chen & Tian, 2022). Hence, FBs promote affective trust given the socioemotional wealth they typically entail, and this combination will lead to a higher use of problem-solving by LFL (Christensen-Salem et al., 2021). The stronger stock of socio-affective value that family owners derive from and seek to preserve in their businesses should influence the level of affective trust in subordinates—grounded in emotion-driven interpersonal bonds that arouse feelings of closeness or friendship explaining how LF managers of FBs use problem-solving. In contrast, in NFBs, where managers mainly focus on competences when trusting people, cognitive trust is more prevalent (Lewicki & Brinsfield, 2017), and so the combination of this type of company and this type of trust may lead to a higher use of problem-solving by LFL of NFBs.

3. Method

3.1. Sample and data collection

The data for this study were collected from managers of small and medium-sized enterprises (SMEs) in Ecuador. By using an Ecuadorian sample, we respond to previous calls for further research on FB leadership in contexts other than the United States and Europe (Fries et al., 2020). Specifically, Ecuador is considered a collectivistic society, where the notion of belonging to a community is viewed as very important and where there is a clear tendency to solve problems by working together as a group (Hofstede Center, 1967/2010). Ecuador's collectivistic culture is also well-suited to our study because, relative to other national cultures, it aligns with leadership approaches that respect and trust employees as a precondition to work and collaborate with others (Wasti & Hoon Tan, 2010), a principal aspect of our research model. Thus, from a universe of 19,795 SMEs registered in Region 5 of Ecuador (Directory of Business & Establishments, DBE, 2018), one of the most industrialized zones in the country (Senplades, 2017–2021), and with the help of the Chambers of Commerce in that region to distinguish FBs from NFBs, a random sample of 350 SMEs (managers of FBs and NFBs) was selected between June and August 2018. The physical addresses of the SMEs were obtained from the said Chambers of Commerce and the surveys were conducted in the form of personal interviews with their managers. A total of 326 valid responses were eventually collected, all of them from managers who participated voluntarily and who worked in a wide variety of sectors, including manufacturing, commerce and services. Our sample was large enough to obtain a sampling error of $\pm 5.38\%$ (level of confidence of 95.5%, $p = q = 0.5$; Aaker & Day, 1990), which offers assurance that it is representative of the population of SMEs in the region (Table 1).

The total sample included 195 managers working in FBs, i.e., organizations that are at least 50% family-owned (López-Delgado & Diéguez-Soto, 2015), and all of them were family members. Meanwhile, 131 were working in NFB. Table 2 shows that managers of FBs were mostly male (59%), with an undergraduate education (56.4%) followed by high school education (35.4%) and most of the FB had been active for more than 4 years (44.6%). Among the NFBs, most of the managers were also male (62.6%), with an undergraduate education (65.6%) followed

Table 1
Technical details of the research.

Universe	SMEs' general managers from <i>Litoral Centro</i> of Ecuador (Region 5), one of the most industrialized areas of the country (Senplades, 2017–2021).
Sample unit	General managers of FBs and NFBs.
Data collection method	Personal survey.
Population size	19,795 SMEs in Region 5 of Ecuador (Directory of Business & Establishments, DBE, 2018).
Sample size	326 valid surveys.
Sample error	$p = q = 0.5$; level of confidence = 95% ($z = 1.96$); sample error = $\pm 5.38\%$. For a total population of 78,395 SMEs in Ecuador (DBE, 2018), the sample error would be very similar: $\pm 5.4\%$.
Sample procedure	Probabilistic.
Period of information collection	June–August (2018).

Table 2
Sociodemographic profile of respondents. FBs versus NFBs.

Variable		Complete (%) n = 326	FBs (%) n = 195	NFBs (%) n = 131
Gender	Male	60.4%	59%	62.6%
	Female	39.6%	41%	37.4%
Education level	Lower than high school	2.1%	3.6%	0.0%
	High school	25.5%	35.4%	10.7%
	Undergraduate	60.1%	56.4%	65.6%
	Postgraduate	12.3%	4.6%	23.7%
Years of the firm in the industry	1–3 years	20.6%	16.9%	26.0%
	4–10 years	41.7%	44.6%	37.4%
	>10 years	37.7%	38.5%	36.6%

by postgraduate education (23.7%), and most of the NFBs had also been active for more than 4 years (37.4%). However, almost the same number of NFBs (36.6%) had been in the market for over 10 years.

In addition, in line with Cesinger et al. (2016), we made sure that the family had a substantial influence on the business, which is reflective of the motivation to preserve socioemotional wealth. To this end, two Ecuadorian experts on family SMEs in the region spared no effort in searching sources, both public (e.g., social media, local magazines and media, company websites, internet search engines) and private (comments from institutional actors such as chambers of commerce and the Ecuadorian Institute of Family Business, and/or comments from non-institutional actors who have close contacts with the company), to confirm that these companies had a dominant family owner on their boards.

3.2. Measures

The variables were Mode A first-order composites formed by linear combinations of their indicators (Hair Jr, Matthews, Matthews, & Sarstedt, 2017). A five-point Likert response format (1 = “strongly disagree,” 5 = “strongly agree”) was used. Table 3 presents the items used.

LFL. Managers completed the 3-item LF measure from Bass and Avolio's (1992) Multifactor Leadership Questionnaire (MLQ-6S short-form). An example item is “I am content to let others continue working in the same ways always.”

Affective/cognitive trust. Managers responded to items from McAllister (1995), adapted to our study context, to assess the affective (4 items) and cognitive (5 items) trust they had in their subordinates. For each of the scales involved, we did not use the item(s) that had the lowest loading in the confirmatory factor analysis presented by McAllister (1995) (i.e., for affective trust, “If I shared my problems with these employees, I know they would respond constructively and caringly,” and for cognitive trust, “Most people, even those who aren't close

Table 3
Measurement Model, Item Loadings, Construct Reliability and Convergent Validity across the complete, FBs and NFBs samples.

Composite/Items	Items	Loading Complete/ FBs/NFBs	Cronbach's α Complete/ FBs/NFBs	AVE Complete/ FBs/NFBs
Laissez faire leadership (LFL)			0.60/0.60/ 0.60	0.55/0.55/ 0.55
I am content to let others continue working in the same way always.	LF1	0.72/0.74/ 0.77		
Whatever others want to do is OK with me.	LF2	0.73/0.73/ 0.77		
I ask no more of others than what is absolutely essential.	LF3	0.67/0.68/ 0.86		
Affect-based trust (in the employees)			0.69/0.72/ 0.63	0.62/0.64/ 0.60
We (I and my employees) have a sharing relationship; we can freely share our ideas, feelings and hopes.	AT1	0.89/0.85/ 0.60		
I can talk freely to these employees about difficulties I am having at work and know that they will want to listen.	AT2	0.89/0.83/ 0.66		
We would feel a sense of loss if one of us left and we could no longer work together. (*)	AT3	0.20/0.43/ 0.18		
If I shared my problems with these employees, I know they would respond constructively and caringly.	AT4	0.88/0.85/ 0.53		
Cognition-based trust (in the employees)			0.79/0.80/ 0.78	0.54/0.56/ 0.53
These employees approach their job with professionalism and dedication.	CT1	0.75/0.67/ 0.84		
Given these employees' track record, I see no reason to doubt their competence and preparation for the job.	CT2	0.69/0.69/ 0.73		
I can rely on these employees not to make my job more difficult due to careless work.	CT3	0.76/0.79/ 0.72		
Most people, even those who aren't close friends of these employees, trust and respect them as coworkers.	CT4	0.74/0.77/ 0.69		
Other agents (suppliers, customers, etc.) who must interact with these employees consider them to be trustworthy.	CT5	0.76/0.82/ 0.65		
Problem-solving style			0.83/0.86/ 0.77	0.66/0.70/ 0.59
I examine issues until I find a solution that really satisfies me and the other parties.	PS1	0.79/0.82/ 0.75		
I stand for my own and other's goals and interests.	PS2	0.78/0.81/ 0.67		
I examine ideas from both sides to find a mutually optimal solution.	PS3	0.85/0.88/ 0.83		
I work out a solution that serves my own as well as other's interests as well as possible.	PS4	0.83/0.84/ 0.80		

Notes: AVE = average variance extracted. All loadings are significant at $p < 0.001$ or better. * This item was deleted as its loadings were very low (Chua, 2023).

friends of these employees, trust and respect them as co-workers”).

Problem-solving style in conflict situations. For this variable we decided that the managers should complete the 3-item scale from the DUTCH conflict management scale (De Dreu et al., 2001) after reading a made-up scenario that was purposefully designed by the authors of this study and endorsed as realistic in Ecuador. The assessment first required respondents to read a scenario describing a conflict over a task concerning issues with goals and strategies (De Wit et al., 2012), so that the type of conflict they needed to focus on before assessing this variable (the scenario focused on a typical source of conflicts between managers and employees) could be standardized in the respondents' minds and across the different businesses and sectors involved. This strategy was used previously for data collection by one of the authors, who confirmed that having a contextualized scenario helps the participants to answer this scale. The risk of not illustrating the scenario is that some participants could reflect on a more interpersonal conflict from outside of the organizational context, or on a conflict of variable relevance to the participants. Use of this strategy avoids answers that consider conflicts that are outside of the scope of the study. The scenario read as follows: “In the last six months—given the economic context in Ecuador—your subordinates were given more duties with no expectations of a better salary. This has caused them discomfort and they have been performing unacceptably in various activities. Given this nonconformity, employee representatives have requested an urgent meeting with you to improve the situation.” The respondents had to answer the 3 items of this scale, e.g., “I examine ideas from both sides to find a mutually optimal solution.”

Control variables. The gender (0 = male, 1 = female) and level of education (1 = primary studies, 4 = postgraduate) of the managers were controlled. We selected these controls because previous research has shown both to be antecedents of the use of various conflict management styles (e.g., Ma et al., 2003; Mazei et al., 2015).

Due to the cross-sectional nature of our data, procedural remedies were used to mitigate the possibility of our data being contaminated by common method variance (CMV), evaluation apprehension and social desirability bias (SDB). For example, to reduce SDB and evaluation apprehension, we emphasized that there were no right or wrong answers, and that honest responses were appreciated (Podsakoff et al., 2003). To minimize the possibility of CMV, we also ensured both physical and psychological separation between the predictor and criterion items in the questionnaire by including them in different thematic areas to make them appear unrelated; various contextual variables were also added as distractors and simple, specific items were selected to keep the questionnaire short. As proof that these procedures did indeed mitigate those issues, Harman's single-factor test revealed that CMV was not a problem in the data because five factors, as opposed to a single factor, were required to model the data (Podsakoff et al., 2003), and because the first factor accounted for only 30% of the total variance.

3.3. Data analysis

Descriptive statistics and H1 testing were generated using SPSS v.25. The remaining hypotheses were tested with Smart PLS v.4 (Ringle et al., 2022) by conducting partial least squares (PLS) structural equation modeling (SEM), a fully fledged approach that does not require demanding assumptions concerning the distribution of the variables (Hair Jr et al., 2017) and that is appropriate for mediation and multi-group analyses (Chua, 2023). The power analysis from G*Power 3 (Faul et al., 2007) for the regression with the greatest number of independent variables (3) confirmed that the power associated with all the samples was over 99.99%, so the study sample was sufficient to detect medium effect sizes (Cohen, 1988) without incurring Type II errors. As recommended (Hair Jr et al., 2017), our PLS analysis used 5000 subsamples to

test the significance of the path coefficients.

In addition to PLS-SEM, and in line with recent recommendations to complement the use of quantitative analyses with qualitative approaches (e.g., Jiménez-Estévez et al., 2023; Ruiz-Palomino et al., 2021), fs/QCA was conducted using fs/QCA v. 3 (Ragin & Davey, 2016). Rooted in set theory and Boolean logic (Ragin, 2008), fs/QCA provides a qualitative model that is reflective of asymmetric complexities, which are more common than symmetric relationships (Woodside, 2013). The importance of also using this method lies in its power to identify, compared to other regression-based methods such as PLS-SEM, several combinations of necessary and sufficient explanatory conditions, which are very useful for obtaining a detailed understanding of the phenomenon of interest (Schneider & Wagemann, 2010).

4. Results

4.1. Evaluation of the measurement model

Regarding reliability, most items exceed the recommended level of 0.707 (Hair Jr et al., 2017) both in the full sample and in the FB and NFB subsamples. Certain affective trust items were exceptions; AT3 was trimmed from the analysis (Hair Jr et al., 2017; Chua, 2023) as it presented low loadings across the samples (see Table 3) and AT4 was retained despite its 0.6 loading in the NFB sample, given that this level still exceeded the minimum requirement of 0.5 (Hulland, 1999). Regarding the internal consistency of the targeted constructs, Cronbach's alphas typically exceeded the satisfactory threshold of 0.6 (or were very close, i.e., $\alpha = 0.59$ for the LFL measure) or the ideal 0.7 cut-off (Hair Jr et al., 2017). Convergent validity was supported for all the constructs across the three samples as the average variance extracted (AVE) in each case exceeded 0.5 (Hair Jr et al., 2017). Finally, discriminant validity (see Table 4) was also supported as the AVE exceeded the squared correlations between the composites (Hair Jr et al., 2017) and the HTMT indices were also below 0.85, in line with the strictest recommendations (Chua, 2023). Finally, we used the χ^2/df ratio ($\chi^2/df \leq 3$; Kline, 2005), the comparative fit index ($CFI \geq 0.90$; Kline, 2005) and the root mean square error of approximation (RMSEA ≤ 0.08 ; Hu & Bentler, 1999) to run CFAs in AMOS v. 24 and test the fit of a one-factor model (where all items load into a single factor), a three-factor model (where the items of affective trust and cognitive trust load into a single factor), and a four-factor model (with all the variables we used for our study modeled separately). The results showed that the fit of the four-factor model ($\chi^2 = 200.895$; $df = 84$; $p < 0.001$; $\chi^2/df = 2.39$; $CFI = 0.925$; $RMSEA = 0.065$) was significantly better ($\Delta\chi^2(6) = 369.907$, $p < 0.001$) than that of the one-factor model ($\chi^2 = 570.802$, $df = 90$, $p < 0.001$; $CFI = 0.693$; $RMSEA = 0.128$) and the three-factor model ($\Delta\chi^2(3) = 70.721$, $p < 0.001$), ($\chi^2 = 271.616$, $df = 87$, $p <$

0.001; $IFI = 0.883$, $CFI = 0.882$; $RMSEA = 0.081$), which confirmed our model as the best fitting one (see Fig. 1).

4.2. Evaluation of the structural model

Regarding the control variables, level of education in the full sample had a small positive association with the use of problem-solving (0.10, $p < 0.05$) and gender was unrelated ($\beta = 0.03$ ns). In terms of relationships between the main study variables (see Fig. 2), LFL was positively associated with the managers' affective ($\beta = 0.41$, $p < 0.001$) and cognitive ($\beta = 0.42$, $p < 0.001$) trust in employees. Affective (0.21, $p < 0.01$) and cognitive ($\beta = 0.33$, $p < 0.001$) trust were also both positively linked to the use of problem-solving. Consistent with these findings, affective and cognitive trust mediated the positive effect of LFL on the use of problem-solving: the significant direct effect of LFL on problem-solving ($\beta = 0.26$, $p < 0.001$) was no longer observed when both forms of trust were included ($\beta = 0.01$, $p > 0.05$), whereas the indirect effect of LFL on problem-solving via trust in subordinates was significant for both affective (indirect effect = 0.09, $p < 0.01$, 95% confidence interval [0.084; 0.195]) and cognitive (indirect effect = 0.13, $p < 0.001$, 95% confidence interval [0.028; 0.156]) trust. Finally, our model adequately predicted the use of problem-solving conflict management by managers ($R^2 = 0.253$) as well as their affective ($R^2 = 0.16$) and cognitive trust ($R^2 = 0.16$) in subordinates, and also proved to be a good fitting model ($\chi^2 = 274.948$; $df = 112$; $p < 0.001$; $\chi^2 = 2.455$; $IFI = 0.900$; $CFI = 0.900$; $RMSEA = 0.067$).

4.2.1. Testing the multigroup hypothesis

In our multigroup approach to testing our hypotheses, the business context that the manager was associated with (FB ($n = 195$) versus NFB ($n = 131$)) was the moderator. The three-step MICOM procedure (configural invariance, compositional invariance, equal means and variances

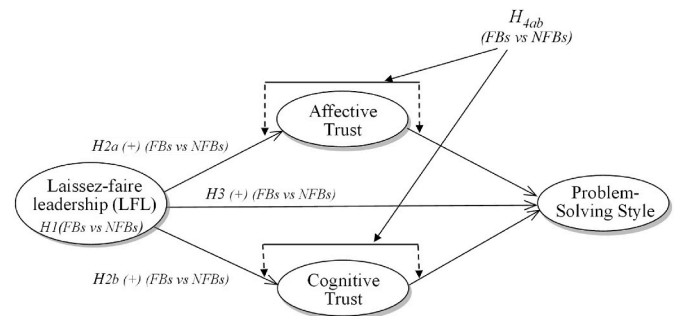


Fig. 1. Proposed model and the hypotheses to be tested.

Table 4

Descriptive statistics, correlation matrix and discriminant validity across the complete, FBs and NFBs samples.

Constructs	Mean Complete/ FBs/NFBs	SD Complete/ FBs/NFBs	1 Complete/ FBs/NFBs	2 Complete/ FBs/NFBs	3 Complete/ FBs/NFBs	4 Complete/ FBs/NFBs	5 Complete/ FBs/NFBs	6 Complete/ FBs/NFBs
1. LF leadership	4.03/4.11/3.93	0.75/0.68/0.84	0.74/0.74/ 0.74	0.64/0.85/0.40	0.59/0.79/0.35	0.33/0.56/0.13	0.14/0.20/0.07	0.12/0.05/0.12
2. Affective trust	4.19/4.13/4.27	0.72/0.74/0.68	0.41*/0.58*/ 0.25*	0.79/0.80/ 0.77	0.76/0.76/0.74	0.54/0.61/0.31	0.19/0.27/0.13	0.16/0.26/0.30
3. Cognitive trust	4.27/4.25/4.36	0.61/0.63/0.56	0.41*/0.56*/ 0.26*	0.56*/0.58*/ 0.51*	0.74/0.75/ 0.73	0.54/0.54/0.52	0.14/0.24/0.08	0.08/0.13/0.26
4. Problem-solving	4.33/4.28/4.41	0.66/0.71/0.58	0.23*/0.40*/ 0.04	0.42*/0.50*/ 0.23*	0.45*/0.45*/ 0.44*	0.81/0.84/ 0.77	0.12/0.11/0.16	0.11/0.10/0.07
5. Gender (female)	–	–	0.11*/0.16*/ 0.04	0.15*/0.23*/ 0.04	0.12*/0.21*/ 0.05	0.11*/0.11/ 0.14	–	0.05/0.12/0.01
6. Educational level	2.83/2.62/3.13	0.66/0.63/0.57	–0.07/0.01/ 0.09	0.10/0.22*/ 0.24*	–0.06/–0.01/ 0.23*	0.10/0.09/0.00	0.05/0.12/ 0.01	–

Notes: * $p < 0.05$ or better (two-tailed test). SD = standard deviation.

Bold values on the diagonal are the square roots of the AVE. Off-diagonal elements below the diagonal are correlations among the constructs. Off-diagonal elements in italics and above the diagonal are the HTMTs. Gender (0 = male, 1 = female), Education (1 = primary, 2 = secondary, 3 = Undergraduate, 4 = Postgraduate).

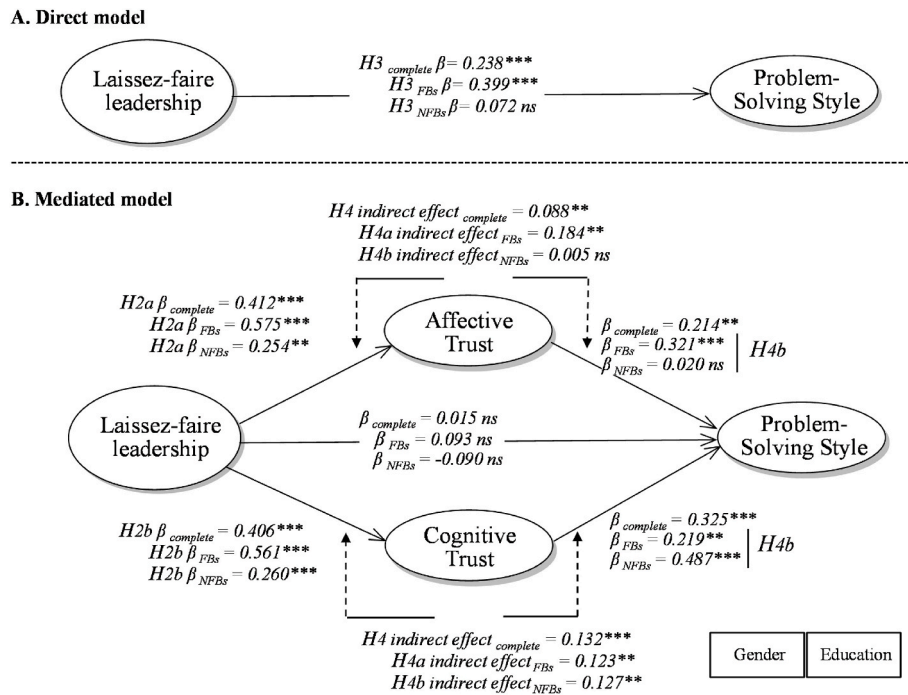


Fig. 2. Structural Model and Hypotheses (H2-H4) testing. Multigroup Analysis (FBs vs NFBs).

across groups) found evidence of measurement invariance. Table 5 reveals that the first step was satisfied because the research model (same

Table 5
MICOM results for testing measurement invariance of the composites.

Composite	c-value (=1)	95% confidence interval	Compositional invariance?
Laissez faire leadership (LFL)	0.993	[0.962,1.000]	Yes
Affective trust	0.999	[0.979,1.000]	Yes
Cognitive trust	0.992	[0.989,1.000]	Yes
Problem-solving	0.995	[0.992,1.000]	Yes

Composite	Logarithm of the composite's variances ratio (=0)	95% confidence interval	Equal variances?
Laissez faire leadership (LFL)	0.228	[-0.217,0.218]	No
Affective trust	-0.246	[-0.223,0.246]	No
Cognitive trust	-0.098	[-0.217,0.229]	Yes
Problem-solving	-0.214	[-0.228,0.219]	Yes

Composite	Difference of the composite's mean value (=0)	95% confidence interval	Equal means?
Laissez faire leadership (LFL)	-0.401	[-0.359,0.345]	No
Affective trust	0.251	[-0.395,0.387]	Yes
Cognitive trust	0.243	[-0.308,0.313]	Yes
Problem-solving	0.388	[-0.301,0.305]	No

Notes: Conditions for equal variances and means across the two groups were not fulfilled. However, compositional invariance condition was fulfilled, so partial measurement invariance is supported (Chua, 2023).

composites, items and estimation method) was the same across the groups (Chua, 2023). The second step was also satisfied; the 95% permutation-based confidence interval (CI), based on 5000 permutations (Hair Jr et al., 2017), showed that composites in both samples are highly correlated at a level not significantly lower than one (Table 5). Finally, in the third step, the variances and means of the composites typically did not differ across groups; only some differences in means (affective trust, LFL) and variances (LFL) were noted. However, because some significant differences were found in the means and variances of some variables, only partial invariance is supported, which is, however, sufficient to allow for a multigroup comparison across both groups and confirm that any differences that can be found in our research model are due to the variable we chose as the moderator and not for any other reason (Chua, 2023). To support this claim, two ANOVAs and one independent *t*-test were run to see whether significant differences emerged across a series of demographic variables such as industry sector (manufacturing, commerce or services), tenure in the industry (less than 3 years, between 3 and 10 years, over 10 years) and firm size (small vs medium). No significant differences were observed either for industry sector (*F*-statistic_{LFL} = 1.33 ns, *F*-statistic_{AFFECT TRUST} = 0.88 ns, *F*-statistic_{COGNITIVE TRUST} = 0.88, *F*-statistic_{PROBLEM SOLVING} = 0.17 ns), tenure in the industry (*F*-statistic_{LFL} = 0.71 ns, *F*-statistic_{AFFECT TRUST} = 0.06 ns, *F*-statistic_{COGNITIVE TRUST} = 0.21, *F*-statistic_{PROBLEM SOLVING} = 0.09 ns) or firm size (*F*-statistic_{LFL} = 1.66 ns, *F*-statistic_{AFFECT TRUST} = 0.01 ns, *F*-statistic_{COGNITIVE TRUST} = 3.49, *F*-statistic_{PROBLEM SOLVING} = 0.58 ns), so any significant differences we might find in our multigroup analysis are probably due to the family or non-family nature of the firms.

Prior to testing multigroup analysis for our hypotheses H2-H4, we used a mean differences test using SPSS v. 22.0, which revealed that H1 was supported because LFL was significantly more prevalent in FBs than in NFBs (*t* = 2.031; *df* = 324, *p* < 0.05, mean value in FBs = 4.11 vs mean value in NFBs = 3.93, 95% confidence interval [0.02; 0.35]).

For our multigroup findings, support for our hypotheses was found (see Table 6). In line with H2a, the positive relationship between LFL and affective trust is stronger in FBs than in NFBs (β FBs = 0.575, *p* < 0.001, β NFBs = 0.254, *p* < 0.01, path difference = 0.321, *p*_{PLS-MGA} = 0.001); the same was true for LFL and cognitive trust (β FBs = 0.561, *p* < 0.001, β NFBs = 0.260, *p* < 0.01, path difference = 0.301, *p*_{PLS-MGA} =

Table 6
Multi-group analysis test results. Hypothesis testing of H2-H4.

Relationship	FBs path coefficient	NFBs path coefficient	Diff. (FBs versus NFBs)	t-parametric	p-value Henseler	Hypothesis support?
Direct Model						
LFL- > Problem-solving	0.399***	0.072 ns	0.327*	1.710	0.037	H3 supported
Mediated Model						
LFL- > Affective trust	0.575***	0.254**	0.321*	2.953	0.002	H2a supported
LFL- > Cognitive trust	0.561***	0.260***	0.301*	3.283	0.000	H2b Supported
LFL- > Affective trust → Problem-solving	Indirect effect = 0.184** (p = 0.004)	Indirect effect = 0.005 ns (p = 0.861)	0.179*	2.185	0.013	H4ab supported
LFL- > Cognitive trust → Problem-solving	Indirect effect = 0.123** (p = 0.007)	Indirect effect = 0.127** (p = 0.005)	-0.004	0.053	0.955	
Affective trust- > Problem-solving	0.321***	0.020 ns	0.300*	2.167	0.019	Indicative of specific support for H4b.
Cognitive trust- > Problem-solving	0.219**	0.487***	-0.267*	2.340	0.010	

Notes. ***p < 0.001; **p < 0.01; *p < 0.05; ns = not significant. LFL = Laissez faire leadership.

0.001), thus supporting H2b. H3 was also supported because the positive relationship between LFL and the use of problem-solving was stronger in FBs than in NFBs (β FBs = 0.399, $p < 0.001$; β NFBs = 0.072, ns; see Direct model in Fig. 2), and this difference was also significant (path difference = 0.327, $p_{\text{PLS-MGA}} = 0.037$, Table 6). Importantly, this relationship was significant and true only among FB managers, which shows that this leadership style is likely to bring positive results to organizations (e.g., the use of constructive conflict management styles), but especially when they possess certain (socioemotional) characteristics that are typical of FBs. Finally, H4 involving the full sample, as addressed earlier, was supported; together, affective and cognitive trust mediated the LFL-problem-solving relationship. H4a was also supported; in FB contexts, LFL was indirectly associated with the use of problem-solving via both affective (indirect effect = 0.184, $p < 0.01$; 95% confidence interval [0.089; 0.297]) and cognitive (indirect effect = 0.123, $p < 0.01$; 95% confidence interval [0.053; 0.199]) trust in subordinates. In line with H4b, cognitive trust mediated LFL and problem-solving in NFBs (indirect effect = 0.127, $p < 0.01$; 95% confidence interval [0.066; 0.219]) whereas affective trust did not (indirect effect = 0.005, ns. 95% confidence interval [-0.043; 0.051]). Thus, affective trust was positively related to the use of problem-solving in FB contexts only; this effect was also significantly stronger in FBs relative to NFBs (β FBs = 0.321, $p < 0.001$, β NFBs = 0.020, ns., path difference = 0.300, $p_{\text{PLS-MGA}} = 0.015$; Fig. 2; Table 6). Finally, in NFBs, cognitive trust was more strongly related to the use of problem-solving than in FBs (β FBs = 0.219, $p < 0.01$; β NFBs = 0.487, $p < 0.001$, path difference = -0.267, $p_{\text{PLS-MGA}} = 0.01$). However, the significant indirect effects of LFL on the use of problem-solving through cognitive trust are not significantly different between FBs and NFBs (path difference = -0.004, $p = 0.955$; see Table 6), suggesting that in FBs both affective and cognitive confidence in subordinates are good explanatory transmitters of the positive effects of LFL on the use of a problem-solving approach by these managers.

4.2.2. Fs/QCA-based findings

Moving to the fs/QCA, the averages from the Likert-based scales of all our study variables (except NFB/FB, as this variable served here to separate the sample on which the fs/QCA analyses were run in two, FBs vs NFBs) were first transformed into fuzzy-set responses by assigning values between 0 and 1. A direct calibration method was used in which 1 indicated full membership, 0 full non-membership and 0.5, neither, i.e., maximum ambiguity (Ragin, 2008). Before calibrating the study variables, we needed to analyze whether the data had normality problems, since the typically followed anchoring thresholds of 0.10, 0.90 and 0.50 could vary if the data are non-normal and over-skewed (Pappas & Woodside, 2021). Our analysis of kurtosis and skewness for all the study

variables provided values ranging between -0.05 and 0.615 and between -0.74 and -0.92, respectively. Hence, given the normality of the data set (-7, +7 for kurtosis, -2, +2, for skewness; Byrne, 2010), the anchors used to classify the values of each averaged variable were, as recommended (Climent-Serrano et al., 2018; Pappas & Woodside, 2021), the 90th, 10th and 50th percentiles for full membership, non-full membership and maximum ambiguity, respectively, and followed the recommendations of Fiss (2011) (adding a constant of 0.001 to the causal conditions below full membership scores of 1) to prevent cases from getting lost due to being set at 0.5 (i.e., the maximum ambiguity, intermediate-set membership). These transformations enabled the calibration, using fs/QCA software, of the average scores associated with the multi-item variables of our study.

Next, a necessity analysis was performed for both samples (FB, NFB), which revealed that none of the conditions was necessary, as the consistency scores were not below 0.9 for any of the study variables (Schneider et al., 2010). Therefore, none of the conditions alone could predict the use of a problem-solving approach by managers when dealing with conflicts with their employees. Afterwards, the fs/QCA software was asked to generate a truth table containing 8 rows of causal configurations (i.e., based on a 2^K criteria, K = number of predictors, i.e., 3 predictors). This table was kept as the final truth table after we had chosen, in line with previous recommendations, causal configurations with a minimum of 1 case (as it enabled retention of more than 80% of cases; Greckhamer et al., 2018) and a raw consistency threshold of 0.80 (Ragin, 2008). Finally, we carried out the standard analysis for both samples, whereby an intermediate solution was obtained for both samples, FBs and NFBs (see Table 7), as recommended for interpreting causal configurations that can predict the outcome variable (Ragin, 2008).

In FB contexts, fs/QCA revealed three configurations of causal conditions leading to the use of problem-solving by general managers, all of which helped reinforce our findings from PLS-SEM analysis. Combined, these accounted for a consistency of 0.7540 and a coverage of 0.7626, both above their respective critical thresholds of 0.75 and 0.60 (Ragin, 2000) to suggest that a set relation exists (i.e., the configurations are largely a subset of the outcome and are likely to provide the outcome, consistency condition) and that it is empirically relevant (i.e., a substantial proportion of the use of problem-solving is covered by these configurations, coverage condition). The first configuration in FBs reflects how LFL is not necessary for managers to use problem-solving; rather it reveals affective and cognitive trust in combination as necessary and sufficient. This finding aligns with that of PLS, where affective and cognitive trust each separately mediated the LFL-problem-solving link in FBs. Interestingly, and also consistent with the PLS findings,

Table 7

Fs/QCA results (truth table): Sufficient causal configurations (FBs versus NFBs).

Sample/group: FBs	Raw coverage	Unique coverage	Consistency
Outcome: Use of Problem-Solving			
Cognitive trust * Affective trust	0.629905	0.114491	0.803422
Laissez faire (LF) leadership * Cognitive trust	0.564653	0.049239	0.826788
Laissez faire (LF) leadership * Affective trust	0.590273	0.074860	0.809164
solution coverage: 0.754004			
solution consistency: 0.762628			
<hr/>			
Sample/group: NFBs			
~ Laissez faire (LF) leadership * Affective trust	0.459377	0.286336	0.853049
~ Affective trust * Cognitive trust	0.304537	0.131496	0.825232
solution coverage: 0.590873			
solution consistency: 0.830091			

Notes: The intermediate solution is shown, as recommended (Ragin, 2008).

~ = negated (non-existence of the causal condition).

The asterisk (*) indicates “and” in Boolean or fuzzy-set logic.

Cut-off criteria for solution coverage and consistency are 0.75 and 0.60, respectively (Ragin, 2000).

LFL is a necessary but insufficient condition in both the second and third fs/QCA-based FB configurations, i.e., LFL must be accompanied by cognitive or affective trust, respectively, to favor the use of problem-solving by managers.

The configurations obtained for NFBs differed from those for FBs; only up to two causal configurations were suggested, which in combination accounted for a consistency of 0.8300 and a coverage of 0.5908, above and very close to the recommended thresholds, respectively (Ragin, 2000). In line with the PLS results, LFL is more important in explaining the use of problem-solving in FBs than in NFBs, as it was not included in either of the NFB configurations. Specifically, the first configuration reflected the absence of LFL, where the presence of affective trust, assuming that the organization’s leadership style is something other than LFL, was sufficient to boost the use of problem-solving. The second configuration involves cognitive trust only; there is no role for either LFL or affective trust, which is in line with our PLS-SEM findings. Thus, in NFBs, the role of cognitive trust in relation to LF managers’ use of problem-solving is highlighted.

Overall, the fs/QCA findings are in tune with the results that we also obtained using PLS-SEM, which makes them more robust. In general, both fs/QCA and PLS-SEM analyses reveal that both affective and cognitive trust are critical mechanisms for LF leaders to take problem-solving approaches to conflict management, with both mechanisms being critical in FBs but only cognitive trust being relevant in NFBs.

5. Discussion and conclusions

5.1. Theoretical contributions

Our examination of LFL in managers based in Ecuador responds to calls to broaden the study of FB leadership beyond the United States and Europe (Fries et al., 2020) and of conflict management in FBs (Alvarado-Alvarez et al., 2020; Caputo et al., 2018). It makes several important contributions to the literature. First, it adds to the small number of empirical studies of LFL in FB contexts (Fries et al., 2020). Our finding that LFL is more common in FBs than in NFBs is consistent with the idea that socioemotional wealth-based considerations may lead to relatively inexperienced persons being placed in general management positions due to alignment with family interests possibly being more important than professional background in FBs (Gomez-Mejia et al., 2011). Specifically, it is highly plausible that FB managers who are unfamiliar with

the full range of leadership styles (cf. Fries et al., 2020) might lean toward LFL as a sign of respect for subordinates (Breevaart & Zacher, 2019). Our research therefore advances on Fries et al. (2020) by revealing not only the presence of LFL in FBs but also the preponderance of its use in these FBs by managers who are family members. Here, the results also indicate that managers of FBs have a lower level of education—most of them have high school certificates or undergraduate degrees—compared to managers in NFB—who mostly have undergraduate or postgraduate degrees—which could be linked to this propensity to allow the subordinates to do as they please, because the subordinates might have a higher education level than the leaders. The study also advances research on the problems of high FB mortality rates due to the lack of generational succession (Porfirio et al., 2020); our findings could suggest that the probable stronger presence of LFL in FBs (relative to NFBs) is a reflection of one critical antecedent of those high mortality rates: the lack of decent training plans for potential successors (see Tang & Hussin, 2020).

Second, this study advances the recent stream of research that posits that LFL may also have positive impacts on organizations (Yang, 2015). It finds that in both FBs and NFBs, a type of leadership (LFL) whereby managers tend to avoid continuous involvement or control over subordinates (Ågotnes et al., 2018) relates to the use of problem-solving, given the greater trust that LF managers typically have in their subordinates, in both FBs and NFBs. Our finding that LFL is positively related to the use of problem-solving to address conflicts in both FBs and NFBs aligns with Yang (2015), who argued that LFL should not be viewed as a negative kind of leadership, as there are also positives associated with its use. Propensity to innovate, autonomous motivation, entrepreneurial spirit and self-leadership among subordinates are just some of the potential benefits that previous research has suggested that the practice of LFL might offer (Yang, 2015), although only employee innovation (Ryan & Tipu, 2013) and motivation (Zareen et al., 2015) have been confirmed so far. We therefore broaden the limited scope of empirical findings regarding the positives of LFL. Importantly, this finding also adds to conflict management literature that has only linked LFL to non-constructive styles (Saeed et al., 2014); because problem-solving requires cooperation and trust between the parties (Cheng et al., 2020), our study sheds light on the ability of LFL to prompt this type of approach to conflict management, albeit only through the affective and/or cognitive trust that these leaders have in their subordinates. The strong collectivistic culture of our Ecuadorian sample (Hofstede Center, 1967/2010) could have played a role in these findings, as collectivists are more willing to prioritize collective goals and are more connected with the needs of their communities (Kim & Coleman, 2015). Hence, the use of more constructive approaches to the resolution of conflicts arising in groups is highly feasible among collectivistic people (Wong, Wei, et al., 2018), which could be why even managers using LFL presented high trust in the members of their firms and greater willingness to use a constructive, cooperative approach to conflict management, such as problem-solving.

Finally, we advance the scarce research on conflict management in FBs (Alvarado-Alvarez et al., 2020; Caputo et al., 2018) by addressing in the same study both leadership (Fries et al., 2020) and the management of conflicts involving subordinates (Alvarado-Alvarez et al., 2020; Caputo et al., 2018; Kubíček & Machek, 2020; Qiu & Freel, 2020). And we particularly add to the literature on socioemotional wealth (Christensen-Salem et al., 2021; Gomez-Mejia et al., 2011) by implicating it in the way LFL, trust, and problem-solving play out in FBs versus NFBs. First, our findings reveal that LF managers of FBs have greater affective and cognitive trust in their subordinates than they do in NFBs, which is new, but unsurprising. Indeed, in FBs, socioemotional wealth-based utilities (i.e., reputation, perpetuation of family values, pride, binding social ties among all members of the organization, social responsiveness to stakeholders) are critical for day-to-day business and decision-making, and are all about fostering trust-based relationships with stakeholders, including employees (García-Sánchez et al., 2021).

Furthermore, all (family and non-family) employees of FBs are treated as members of an extended family and are viewed as critical agents in the achievement of optimal performance and the preservation of socioemotional wealth. As such, greater managerial trust in employees is to be expected in FBs, as already posited by Rondi et al. (2022) and that is qualified here by revealing both types of managerial trust in subordinates (affective and cognitive) to be stronger in FBs than in NFBs.

Second, our findings also highlight that LF managers of FBs are more likely to use problem-solving to address conflicts with their employees than managers of NFBs. This finding follows up on recent literature that has hinted that the negative side of LFL may not be applicable in certain contexts (see Robert & Vandenberghe, 2021), which is also in line with socioemotional wealth theory, which posits that FBs are more likely than NFBs to strongly emphasize binding social ties within the organization and therefore collaborative networks of relationships with employees (Christensen-Salem et al., 2021; Rondi et al., 2022). In contrast, as expected, in NFBs, where socioemotional wealth is a less dominant criterion for decision-making (Christensen-Salem et al., 2021), LFL is not a direct cause for managers to use problem-solving; it occurred in NFBs only in cases of mainly cognitive-based trust in subordinates. Thus, our findings confirm earlier ones emphasizing what a valuable asset socioemotional wealth is for FBs (Christensen-Salem et al., 2021) and how it explains the more competitive-advantage-inducing outcomes obtained by FBs relative to NFBs (e.g., productivity, thriving at work; Christensen-Salem et al., 2021; corporate social responsibility; García-Sánchez et al., 2021).

Last but not least, our findings concerning the role of trust in the use of problem-solving by LF managers of FBs versus NFBs conclude that affective trust in subordinates is a major motivation. This finding is interesting since, as noted earlier, subordinates tend not to trust LFL, at least in NFB contexts (Breevaart & Zacher, 2019; Holtz & Hu, 2017), yet it confirms socioemotional wealth theory regarding “how” affective considerations dominate the guidance of family managers’ decision-making in FBs (Morgan & Gomez-Mejia, 2014). The role of trust, however, is critical to this outcome in FBs: our fs/QCA findings reveal that it is the combination of affective and cognitive trust (rather than the practice of LFL alone) that matters most in relation to the tendency for FB managers to use problem-solving, which clearly highlights that even in FB contexts, it is the socioemotional wealth reflected in the higher trust-based environment that typically characterizes these contexts (Rondi et al., 2022), which accounts for the use of such an approach to conflict management. With regard to NFBs, trust in subordinates is again what matters, especially its cognitive dimension; only when LFL is not the preferred style is affective trust also important, and it is cognitive trust that predominantly predicts the use of problem-solving in NFBs. This supports our socioemotional wealth-driven perspective that cognitive trust is the predominant of the two forms in NFBs.

This study has therefore addressed earlier calls (e.g., Alvarado-Alvarez et al., 2020; Caputo et al., 2018; Sundaramurthy, 2008) to better integrate the study of trust and conflict management in FB contexts. Importantly, it also adds to the burgeoning literature (Christensen-Salem et al., 2021; García-Sánchez et al., 2021) that highlights the distinctive socioemotional wealth of FBs as explanatory of their long-term success. Finally, our findings also support the increasingly widespread thesis on the more than likely impact of the context on leadership and its outcomes (Oc, 2018).

5.2. Practical implications

Various implications can be derived from our findings for managers of both FBs and NFBs. First, family owners should realize that the prioritization of family employment at the top could lead to LF managers who fail to fulfill their leadership role (influencing and directing employees). In our case, LFL was tied to a favorable outcome, i.e., a constructive approach to conflicts that fosters collaborative dialogue to

achieve an effective and acceptable solution for all parties, which is often viewed as appropriate in FBs (Obi et al., 2021) due to its benefits for the achievement of business and family goals (Alvarado-Alvarez et al., 2020). Even so, it would be highly preferable for managers of FBs (and also of NFBs) to be aware of the full range of leadership styles (Fries et al., 2020) to ensure that the use of LFL is an *informed choice*, appropriate to the situation, as opposed to one based on lack of knowledge about proper leadership. For example, managers should know that the use of LFL may suit contexts in which employees are highly skilled or experienced (Ali & Ullah, 2023; Marginson & Ogden, 2005; Sharma & Singh, 2013), are eager to learn and develop on their own (Myers, 2023), and/or the priority is to build social ties and connectedness with employees (e.g., FBs; García-Sánchez et al., 2021). Thus, if socioemotional wealth-based considerations lead to a lack of professionalism among managerial positions (Firfiray et al., 2018), then these managers should receive leadership training to make sure that they are aware of the full range of leadership models.

Second, given the benefits of using constructive or collaborative approaches to conflict management (e.g., stress reducer, good relationships builder, psychological well-being enhancer; Dijkstra et al., 2011), the importance attached to trust in subordinates should be emphasized to those managers who struggle to adopt these styles of conflict management. Indeed, owners of FBs and managers of NFBs should not ignore how important it is for people in managerial roles to trust their subordinates, for this is what seems to pave the way for them to intervene in any conflict that arises in the organization in a constructive and collaborative manner. It is even more important for managers who are LF, as trust in subordinates makes it easier for them to overcome their typical passivity when it comes to providing directions to subordinates and thus become involved in the resolution of conflicts that emerge with them. Specifically regarding FBs, however, according to our findings there needs to be an emphasis on fostering affective trust in subordinates, for which programs focused on training managers to develop strong relationships (and therefore emotional connections) with their employees would help a lot. Also, events designed to promote social interaction and emotional bonds, the hiring of people with similar values, and the creation of open communication spaces where the concerns of both managers and employees are shared, could help general managers to forge high-quality relationships with subordinates (Hassan & Hatmaker, 2015) and thereby promote affective trust in them (Bauer & Green, 1996).

In NFBs, the emphasis should instead be on getting managers to cognitively trust their subordinates’ competence and integrity. For this purpose, a reliable Human Resource Management (HRM) system that selects, trains, and retains employees with the knowledge, abilities and competences required to do their jobs should be implemented (Knoll & Gill, 2011). Also, the involvement of managers in personnel selection could be useful, especially if such a process entails tests and trials to inquire about the potential candidates’ competence (e.g., self-efficacy; Carter et al., 2018; emotional intelligence; Lyons & Schneider, 2005) and ethicality (e.g., moral identity; Aquino & Reed, 2002; cognitive moral development; Kohlberg, 1981). However, in order for problem-solving to be used by NFB managers, affective trust could also be useful if the manager practices a type of leadership other than LFL, for which HRM efforts (e.g., hiring, training, culture-building) should dissuade them from adopting this leadership style, as socioemotional wealth-based concerns are already likely to do in FBs, thus fostering a sense of connectedness and identity with subordinates among managers.

Despite the above, our results highlight how when the general manager of a business adopts an LFL approach, both affective and cognitive trust in subordinates (which are more common among FBs) are what mainly cause LF managers to use problem-solving in conflict management in FBs, while only cognitive trust works in NFBs. Thus, managers should know that their use of LFL is especially suitable in contexts similar to those of a FB, in which managers invest and receive strong affective endowments, have emotional connections with their

employees and prioritize social ties with them (Christensen-Salem et al., 2021; Reina et al., 2022). This style of leadership drives high levels of cognitive and affective trust in subordinates, which is likely to lead to the use of problem-solving to manage conflicts. Managers should know that in contexts with a lower presence of strong affective endowments (typically NFBs and similar), their use of LFL will lead to cooperative conflict management if and only if they ensure that their employees are cognitively trustworthy (i.e., they have the abilities, knowledge and integrity required to do their jobs).

Although these contributions relate to the Ecuadorian data used in the study, given the universal commonality of the socioemotional wealth approach in FB (Berrone, Cruz, & Gomez-Mejia, 2012), we argue that these contributions are also applicable to other Western cultures. In consideration of this, FB in other countries need to be aware of the relevance of both affective and cognitive trust as drivers towards the use of problem-solving by LFL.

5.3. Limitations and future research

As is the case with any investigation, this one has limitations that also present possibilities for future research. First, our data were collected from a single source, so common method variance could have artificially inflated the magnitude of the relationships we observed. However, as noted earlier, we took several steps to minimize this possibility and the Harman test did not reveal serious problems with this issue. Second, our research design was cross-sectional and involved self-report measures, so common method variance, evaluation apprehension, and social desirability bias (SDB) were potential concerns (Podsakoff et al., 2003). Thus, strong causal inferences cannot be drawn, and further research could use longitudinal designs to address these inferences more precisely. Third, we asked managers as opposed to their subordinates to rate the use of LFL, and these self-reported levels were rather high (over 4 on 5-point scales). Given that subordinates do not typically perceive LFL to be so high in their businesses (e.g., Breevaart & Zacher, 2019) and that leaders usually downgrade their LFL more than their subordinates do (Corrigan et al., 2002), it would be of interest to collect LFL levels from both parties in the same study so that they can be compared directly. Third, a positive aspect of the study is that we obtained data from outside the United States and Europe, in response to Fries et al. (2020). At the same time, this means that these implications are nuanced to the Ecuadorian context. However, as mentioned above, we consider that other countries where leadership (e.g., House et al., 2004), trust dynamics (e.g., Zaheer & Zaheer, 2006) and collectivism (Hofstede Center, 1967/2010) may differ could also benefit from these contributions given that FB tend to share the socioemotional wealth approach, which largely explains the dynamics observed herein. For example, as stated earlier, the characteristic collectivism of our Ecuadorian sample might explain the higher trust in subordinates and use of constructive or cooperative approaches among LF managers (Kim & Coleman, 2015; Wong, Wei, et al., 2018) that we found here. Generalizability concerns also exist regarding our exclusive use of SMEs and managers; it is notable, for example, that the small number of studies examining LFL in FB contexts (Bernhard & O'Driscoll, 2011; Santiago, 2015) have focused on top management/owners only. More research is thus needed examining the use of such a leadership style and its potential effects on trust in subordinates and the use of problem-solving among bigger enterprises and other positions, as well as in individualistic cultures (e.g., United States, United Kingdom). Fourth, we did not assess the competencies of the subordinates. Had we done so, they may have turned out to be especially capable, which may have helped account for the tendency of the leaders surveyed herein to engage in problem-solving. Finally, as noted from the outset, our focus was on LFL as it is understudied, especially in FB contexts (Fries et al., 2020). Even so, there are instances in which the same leader adopts more than one approach, so it is also of interest for further research to assess multiple styles in the same study to access their possible interaction (e.g.,

Breevaart & Zacher, 2019). Generally speaking, given that the study of leadership styles in FBs is at an early stage (Fries et al., 2020), the opportunities for further research are plentiful.

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Data availability statement

The data that support the findings of this study are available on request.

CRediT authorship contribution statement

Patricia Elgoibar: Writing – review & editing, Writing – original draft, Methodology, Conceptualization. **Pablo Ruiz-Palomino:** Writing – review & editing, Writing – original draft, Methodology, Formal analysis, Conceptualization. **Santiago Gutierrez-Broncano:** Writing – review & editing.

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