



A Blessing or a Curse

Family members in management (1): Challenges and risks

by Dr. Christian Bühring-Uhle

Most family businesses are still run by members of the owner family(s), often with great success over generations. However, many also fail in this task, and some, even without failing in the business dimension, are unhappy in a complex role which they consider to be an “ungrateful task”. And this is not only a problem for the affected family manager, but often an existential question for the company. The typical competitive advantages of family businesses – short decision-making paths, long-term thinking, a clearly formulated mission, high employee identification with the company, better handling of risks, putting the interests of the company ahead of personal advancement, etc. – can only come into their own if the family business is well managed. Therefore, we would like to highlight some of the problems as well as the most important factors that can determine the success – or failure – of family members in management.

To be a manager in the company of one’s own family is associated with special requirements, because typically one must not only (co-)manage the business, but also “the family” – and everything implied by this apparently simple term. The associated complexity represents a special challenge. Some family managers are overburdened because they have not been sufficiently prepared for the management tasks they carry out and may simply be unqualified. In addition, there can be a range of issues and negative feelings including “loneliness at the top”, a (rarely admitted) sense of being over-burdened, poor decision-making, demotivation and fluctuation in middle management, a lack of trust, “trench warfare” in the family – and a struggle for the recognition and trust of other family members. This may go hand-in-hand with a lack of management ability which, in the worst-case scenario, can run through an entire organisation.

Especially in family businesses, there are prime examples of the “Peter Principle”, i.e. that managers are promoted until they reach the level of their own incompetence and are thus inevitably overtaxed. On the one hand, this applies to family members who are entrusted with



management responsibilities not because of their qualifications but because they belong to the family (and are then, of course, regarded with suspicion by other executives). On the other hand, there are often also non-family managers who have proven themselves primarily as “faithful servants of the family” rather than competent business leaders (and this also does not escape the notice of other executives, especially top performers).

Mediocrity has a tendency to take hold, with the phenomenon of the “pulley block” being observed: mediocre managers attract mediocre team members who do not question them or pose a threat to their position. Nobody gets hurt but a dangerous comfort zone – often confused with a good working atmosphere – is created. As long as the company is doing well, these conditions are consciously or unconsciously tolerated by the shareholders, i.e. the “family”. The longer this condition persists, the more dangerous it becomes: sometimes an ‘addiction problem’ arises where the affected family member becomes increasingly dependent not only economically but also psychologically on the family business, and the role and status which it confers on them.

When times get difficult, there is often a calamitous lack of adaptability and incompetent family managers fall into a deep hole. In addition to the drama of professional failure, there is the feeling of having failed in front of the family and of having risked the legacy of their ancestors. And if the affected person then has to look for a new job externally, they may suddenly find that they are considered “unemployable” in the ‘real world’. The challenge then arises to find a face-saving task for the affected family member that corresponds to their actual abilities and through which a valid contribution to the success of the company (if it survives the crisis) can still be made.

In the article “Navigating the Minefield”, which follows on from this article, we turn to the precautions that can be taken to deal with these problems and to avoid the “pathology” of the family business.



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