

SIBLING RIVALRY AND INTERGENERATIONAL SUCCESSION IN FAMILY BUSINESS: A THEORETICAL PERSPECTIVE

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ABSTRACT

This paper deals with sibling rivalry dynamics and their impact on the succession outcome within family enterprises. While sibling rivalry plays a critical role in the succession process, there is only limited literature that addresses this important subject. This theoretical study reveals valuable insights on this topic and contributes to the existing literature. Particular attention is placed on parental behavior and attitude during childhood, sibling characteristics and the perception of parental fairness by the successors, which we advocate are the principal factors conducive not only to the emergence of rivalry among heirs but also to influencing the succession outcome.

INTRODUCTION

Family-owned businesses are recognized today as an important and distinct organization in the world economy. A majority of businesses located around the world is family-owned with some of the most recognizable being Benetton, Estee Lauder and IKEA among others. But what exactly determines whether a business is a family-owned one? There are multiple definitions in answering this question. Two of the most representative are: (1) a business in which two or more extended family members influence the direction of the business [16]; (2) the system that includes the business, the family, the founder and such linking organizations as the board of directors [3].

A recent review of family business research highlights the jungle of theories about family firms and their motivations [39]. There are a slew of different approaches to understanding the behavior of family firms, the most common of which is agency theory. By comparing firms run by families to those not run by families, agency theory can be used to explain differences in performance and investment between the two. Firms run by families in most cases display socioemotional wealth. Family members who run a family firm have a longer-term focus and do more socially acceptable things because their personal image is tightly wound into the behavior and operation of the family firm [4]. By the same token however, it has been observed that many family businesses end their operation even before the founder passes the baton onto the second generation. One of the key reasons –among others- for such incidents is rivalry among heirs and more specifically among siblings within the family. Sibling rivalry can be defined as the competitive relationship between siblings and is often associated with the struggle for parental attention, affection and approval, but also for recognition in the world. There is a plentitude of mythological, historical and literary examples that highlight the gravity of sibling rivalries: Cain and Abel, Romulus and Remus, Eteocles and Polyneices, Richard the Lion-Hearted and John Lackland. Such examples can bring into light valuable lessons regarding sibling dynamics within family businesses.

Hence, this paper represents our effort to identify those factors that influence sibling rivalry and furthermore to examine how such a rivalry may affect the succession process in a family firm.

LITERATURE REVIEW

Perhaps the most fundamental mission of a family business is to pass the business to subsequent generations [15], and thus a successful succession is the keystone to survival in family business [2] [10] [17] [40]. The majority of research on family business succession has focused on how families can best prepare to hand the business over to the next generation while very little research has been given to studies that try to discover a set of factors that may prevent intra-family succession, such as sibling rivalry.

On the other hand, there is a great deal of research regarding sibling relationships, but principally from a psychological and sociological point of view [12] [23] [25] [32] [43]. Meanwhile, most of this research focalizes on the relationships of siblings during childhood and adolescence, whereas sibling relationships in adulthood have received little research attention. Various articles [7] [18] [31] [41] examined only the conflict in general within the family firm's management, not dealing directly with sibling rivalry and how it influences the succession outcome in a family firm. Thus, through this paper, we will attempt to contribute a conceptual framework aiming at filling this gap in the literature.

CONCEPTUAL FRAMEWORK

The conceptual framework used in this paper is based upon a composition of the existent literature on the issue of succession in family businesses, as well as the literature from the fields of sociology and psychology concerning family and sibling dynamics. It also sets the foundations for forming a theoretical model, consisting of three types of variables: the dependent, the independent and the intervening variables. The dependent variable consists of the succession outcome itself. The independent variables concern the parental role during childhood, the sibling characteristics as well as the way the siblings perceive fairness in given family and business situations. These independent variables will first impact the intervening variable, i.e. the quality of sibling relationships in adulthood along with the degree of rivalry among siblings, which in turn will affect the dependent variable of the succession process outcome. This model serves as a guide in formulating our main research propositions.

Succession Outcome

Succession refers to the transfer of the management and/or the ownership of the family business [27]. In the current paper, however, focus is placed on the case of intergenerational transfer and intra-family succession, where a member or members of the incumbent's family are the heirs [27].

Unfortunately, previous research has shown that “a mere 30% of family businesses survive past the first generation and only 10% to 15% survive to a third generation” [17]. This raises the intriguing question as to what would be considered a successful succession outcome. According to Breton-Miller et al. [9] a successful succession outcome is determined by two pillars: (1) the subsequent positive performance of the business and its viability, i.e. effectiveness of the succession process, and (2) the satisfaction of the stakeholders, either family or non-family members, with the overall succession process.

Previous literature has also identified a long list of characteristics and factors that affect the successful succession process. The successful succession process whether intra-family or extra-family, i.e. outside the family, relies and is facilitated by the five critical success factors identified by Pyromalis & Vozikis [38], namely: 1) The incumbent's propensity to step aside, 2) the successor's willingness to take over, 3) positive family relations and communication, 4) succession planning, and 5) the successor's

appropriateness and preparation. In the only research piece we found focusing specifically on the hindering forces of succession [19] it was asserted that there are three direct explanations and conditions inhibiting a successful intra-family succession. Inhibiting a successful intra-family succession in terms of effectiveness and family satisfaction means that succession does not take place, because: 1) all potential family successors decline the management leadership of the business, 2) the dominant coalition rejects all potential family successors, and 3) the dominant coalition decides against family succession although acceptable and willing potential family successors exist.

Sibling Relationship - Sibling Rivalry in Adulthood

The relationship among siblings has been described as “the most enduring of all familial relationships” [43]. Moreover, the sibling bond is recognized for its uniqueness, attributed not only to the longevity of the relationship, but also to the shared genetic and social background of the siblings [43]. More specifically, the adult sibling relationship plays a significant role in influencing the adult life psychologically and cognitively [30]. Nonetheless, the nature of the adult relationship is very complex, with many different factors affecting the relationship [30] and various dimensions, one of them being rivalry in childhood and adolescence [44]. In addition, adult sibling relationships have been suggested to affect the family business succession [27]. We would expect therefore to find a negative correlation between sibling rivalry and success of the succession outcome. Sibling rivalry not only can induce stagnation, but can also be organizationally destructive while it undermines fundamental alliances among adult siblings in family firms [6] [24]. Therefore:

Research Proposition P1: *The higher the quality of sibling relationships in adulthood resulting from a lower degree of adult sibling rivalry, the more likely the family firm succession outcome will be successful, all else being equal.*

Parental Role: Attitude and behavior during childhood

The role of the parents is extremely crucial for the quality of the sibling relationships during childhood; both their attitude and behavior can have an effect on whether rivalry will be incited among their children. As Friedman [24] and Lamb & Sutton-Smith [32] indicate, dysfunctional parental attitudes and behaviors, such as stereotyping or preferential treatment, can foster hostile sibling rivalries in childhood. This happens because children develop feelings of competitiveness over parental love and attention and resentment. It would be interesting however, to examine whether these rivalries are carried over to adulthood. Tonti [47] argues that rivalries may be reactivated under stressful family and family business situations, such as during the critical process of firm transfer and succession.

Friedman [24] identifies three main dimensions of parental attitude and behavior that influence sibling relationships, namely, inter-sibling comparisons, allocation of familial resources and parental stance in their children’s conflict resolution attempts. In light of the above, we formulate our second proposition:

Research Proposition P2: *The higher the level of dysfunctional parental attitudes and behaviors during childhood, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

Inter-sibling Comparisons: Comparisons are inevitable, but the way they are made and expressed by parents can influence “how children ultimately value themselves as individuals” [24]. They can be constructive to the extent that they bear on characteristics that can be influenced by a child's efforts (e.g. level of achievement) and are based on the appreciation of each child’s unique qualities. In such case, children will feel loved for their own sake and will not be urged to outdo their “sibling rivals” in order to garner their parents’ affection. On the contrary, labeling and comparisons that are made on the basis of characteristics which cannot be controlled by the child such as gender or intelligence, (“*the son has the*

brains” for example), will result in rigid classifications and stereotypes that can even stick and remain in play for a lifetime and ultimately result in competitiveness among the siblings for parental rewards.

Research Proposition P2a: *The more frequent and intense the inter-sibling competitive differentiating comparisons made by parents during childhood, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

Allocation of Family Resources: The way family tangible and intangible resources, such as attention or affection for example, are allocated among children can have a strong impact on the quality of sibling relationships. Parents should avoid generating perceptions of preferential treatment and distribute tangible and intangible resources fairly, in the sense of acknowledging their offspring’s individual differences and individual needs (equity instead of equality). In this context, children will learn to value and respect the needs of others; otherwise feelings of ill will and resentment will emerge among siblings.

Research Proposition P2b: *The higher the level of preferential treatment of allocation of familial resources creating socioemotional wealth by parents during childhood, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

Parental Stance in Conflict Resolution: It is important for parents to allow their children to learn to resolve their differences independently so as to develop autonomy. In different circumstances, when parents get excessively involved in the siblings’ attempts to resolve conflict, the children will remain dependent on their parents authority to settle differences, and unable to rely on their own judgment to bring forth positive outcomes to incidents of skirmishes within the family and the family firm. Such parental interference will more likely exacerbate sibling rivalry.

Research Proposition P2c: *The higher the level of parental interference in children’s attempts for conflict resolution during childhood, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

Sibling Characteristics

By sibling characteristics we refer to features such as the age gap among siblings, gender (brothers, sisters or a combination of both), the number of siblings in the family, whether the offspring are multiple birth siblings (i.e. twins / triplets etc.), the educational background, as well as the professional expertise within or/and outside the family firm.

Research Proposition P3: *The more pronounced the difference in the characteristics among siblings, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

Although there is scant literature concerning these characteristics and attributes, we would expect that each one of them will have a different impact on the interpersonal dynamics among siblings and subsequently a different correlation with sibling rivalry. Research has shown that siblings who are further apart in age perceive less conflict in their relationships than siblings who are close in age [43] [44]. A similar conclusion is drawn by Grote [28], in the sense that “a sibling-boss will feel less pressure from a much younger sibling than from one closer in age”, justified by the fact that as the distance decreases, the threat of imitation and emulation that the older sibling feels from the younger counterpart is increased. Grote [28] reinforces this viewpoint by further arguing that the extreme closeness of twin siblings is even more threatening, since twins often suffer from an extreme lack of differentiation. Thus:

Research Proposition P3a: *The shorter the age gap among siblings, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

Gender is also a key factor affecting the nature of the sibling relationship [13] [30] [42]. Studies have shown that of the three sibling pair types (brother-brother, sister-sister, brother-sister), sister-sister pairs seem the closest and brother-brother pairs are the most competitive, especially identical male twins [34]. Akiyama et al. [1] also suggest that pairs of sisters constitute the most involved sibling dyads, in light of the principle of “femaleness”, according to which the more women included in a pair, the closer the relationship. The argument concerning female dyads is justified by evidence indicating that women develop greater intimacy, affection and contact [43]. Brothers, on the other hand, are more antagonistic in a society where men are supposed to be achievement-oriented and under the continuous notion of parental and societal comparison [34]. Hence:

Research Proposition P3b: *The more siblings of male gender, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

Another important characteristic of the sibling structure to be taken into account is the number of siblings within the family, also referred to as family size. Unfortunately, evidence dealing systematically with the effects of family size on the nature of sibling relationships is sparse, but even so, several studies indicate that larger families experience more overt conflict [37]. This might occur for two basic reasons. Firstly, in larger families more sibling interactions take place and thus a greater complexity of relationships is involved, enhancing the potential for conflicts [8] [26]. Secondly, siblings compete for both tangible (property, space, and other goods) and intangible (parental attention, time, socioemotional wealth, etc.) resources. Thus, in larger families it is most likely that fewer resources are available to each child and more sibling competition is triggered over these resources [23] [37]. Therefore:

Research Proposition P3c: *The greater the number of siblings within the family, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

Perception of Fairness

Finally, a solid reason for including a perception of fairness variable into our model is the fact that the issue of fairness has been linked to conflict over succession in family firms [21]. Yet, fairness can be determined on various grounds and consequently many competing interpretations may exist on what is *really* fair [46]. Lerner [35] suggested that the sense of fairness of an individual is shaped by the perceived entitlement (“who” is entitled to “what” from “whom”) in a given situation. This perceived entitlement is dictated by four rules of fairness: (1) fairness according to *need*, where rewards are distributed based on the needs of the stakeholders; (2) fairness according to *equity*, where rewards are distributed on the basis of each stakeholder’s contributions; (3) fairness based on *equality*, where rewards are allocated equally among the stakeholders; and (4) fairness based on *competition*, where rewards are allotted to the one who prevails [21] [45]. Taylor & Norris [45] infer in their study that higher levels of rivalry are predicted when the siblings in a family accept different rules of fairness.

Research Proposition P4: *The more divergence in the perception of fairness exists among siblings, the more likely the lower quality of sibling relationships in adulthood resulting in a higher degree of adult sibling rivalry in family and family business situations, all else being equal.*

THEORETICAL AND PRACTICAL IMPLICATIONS

From a theoretical perspective, this paper could be considered as a theoretical and conceptual framework that will contribute to the existing literature concerning family conflicts and more particularly sibling rivalry, as a major determinant factor of the succession outcome within family enterprises, since it has investigated various streams and fields of literature that affect sibling rivalry dynamics and examined

their core components in order to generate different concepts and viewpoints into the succession discussion. Although conflict management is a widely analyzed research topic, conflict in terms of sibling rivalry and especially in relation to the succession outcome within family firms still lacks thorough investigation, and thus, this paper provides a good groundwork for future research in the sibling rivalry area. From a practical point of view, the paper's conceptual and theoretical framework are of particular interest to members of family businesses, and should serve as a ground analysis of sibling rivalry dynamics and the drivers of a successful succession. Therefore, it could serve as a blueprint for identifying reasons why sibling rivalries occur and hopefully effective ways to avoid them, or at least render them less harmful for the family and the family firm. Last but not least, the results of our analysis constitute a practical pathway for family business consultants that come across sibling rivalry or similar situations.

CONCLUDING REMARKS

One possible limitation of the conceptual framework was that the scope of the current paper was to analyze the impact of the aforementioned independent variables, namely parental role, characteristics of the siblings and perceived fairness, on sibling rivalry and the succession outcome. It, therefore, intentionally focuses on these three variables and evaluates their impact in a singular and autonomous approach, and attempts to trace and measure their influence by isolating them, in order to elicit clear and unbiased conclusions. This approach however, means that the theoretical framework does not probe the potentially cumulative or combined effect of all or some of the independent variables on sibling rivalry and indirectly on family firm succession. Furthermore, it would be really interesting to investigate some additional variables that may affect the quality of sibling ties. From the family side, such variables could be the personality traits of individual siblings, their education or professional background, as well as the family ethnicity, culture and religion. Additionally, from the theoretical and empirical perspective, some additional issues could be examined, such as, whether a formal succession plan does or does not exist, as well as the particular structure of the incumbent management and governance of the family firm, (such as, the number of key family and non-family managers; whether the incumbent is a single parent, a parental couple, a non-family member, or even another sibling). Finally, the impact of exogenous forces on sibling rivalry are worthy of consideration, such as economic pressures which may or may not bring siblings closer in their efforts to combat the critical external threat.

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