Predictors of Family Business Tensions and Goal Achievement

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The purpose of this study is to investigate predictors of business tensions and family and business goal achievement within family businesses. Household managers identified higher business tensions and higher goal achievement levels than did business managers. A family health assessment (APGAR) was the highest predictor of business tensions for both household and business managers. Total business tensions was the most significant predictor of business goal achievement for both business and household managers, and family health (APGAR) was the largest contributor to family goal achievement for both managers.

Introduction

In the family business literature, there is much concern about conflict in family businesses but little empirical work surrounding this critical topic. The concern arises because the overlap of family and business goals can jeopardize the business as well as strengthen it; family businesses can, in fact, be lost through destructive levels of tension between family and business goals (Rosenblatt, 1991). Issues of conflict are particularly complex because social organizations such as family businesses are composed of closely related individuals who have different as well as common ways of construing reality and often do not share the same interests, values, and assumptions.

Consider the paradox within family businesses concerning conflict: Although tolerance of conflict can foster a social climate that allows individuals to express and test themselves as well as establish their identities (Busby, 1977), too much or destructive conflict can detract from providing and communicating clear goals for a family business. Those goals are among the most powerful means for guiding the behavior of the people in an organization (Tagiuri & Davis, 1992). The empirical evidence this study provides explains tension over business issues and its contribution to family and business goal achievement.

Tagiuri and Davis (1992) investigated the goals of the owner-managers of successful family companies, but indicated that further research is needed on a more varied range of business success levels and from other members of the family business. Obtaining information from more than one member of the family is crucial; it provides a more complete picture of the family business dynamics because of the different realities that individual family members experience.

This study explores the tensions and goals of family businesses through the eyes of both business and household managers. The purpose of the study is to investigate the predictors of such business tensions and family and business goal achievement within family businesses.

Conceptual Framework

The FIRO (Fundamental Interpersonal Relations Orientation) conceptual model serves as the foundation for the concepts and measures about family business tensions and goals. It originated in Schutz's theory of group development (1958) and was later adapted for use in both organizational and family settings. The model posits that inclusion, control, and integration are three aspects of interpersonal dynamics within organizations

and, in this order, they constitute a developmental sequence through which group process occurs and viability is sustained (Doherty & Colangelo, 1984; Doherty, Colangelo, & Hovander, 1991).

Inclusion interactions refer to structure (who is in and out of the group, clarity of roles, consensus on the decision-making process), connectedness, and shared meaning (consensus about goals and priorities). Along with the literature on conflict issues in family businesses, this dimension of the conceptual framework helped frame the specific content of the tension-related questions.

The premise of the control dimension is that constructive modes of conflict management contribute to integration or effective management of the organization. It assumes that conflict is disruptive only when values and beliefs not shared are basic to a relationship; tolerance of conflict not only can forestall destructive outbursts of conflict that have been denied expression, it can also be innovative (Busby, 1977; Coser, 1964). The total tension level, as well as the tension around specific content areas, is assessed to establish the potential environment for conflict. In addition, the study includes a measure of family health to assess the functional integrity of the family system as it maneuvers within this environment.

Integration allows for individual, collective, and creative problem solving, planning for change, trust, and a sense of fellowship that leads to the well-being of the whole system and the achievement of its goals. Ward (1987) indicates that less than 30% of successful family businesses make it to the third generation chiefly because they lack a clear framework of goals for thinking about the future of their businesses and their families. Generally, inclusion can affect family business goal achievement because there is often inappropriate carryover of patterns of interacting, rules, and roles. Family and business systems compete for time, energy, and financial resources of individual family members and of the family collectively (Rosenblatt, de Mik, Anderson, & Johnson, 1985). Dimensions of control may influence goal achievement because needs or demands of either system can cause a level of tension that leads to decisions that are good in the short run, but not for long-run viability (Kaye, 1991; Schutz, 1958).

Literature Review

The literature on tensions and conflict in family businesses emphasizes business system issues. Family tasks and values are often placed in opposition to those of the business (Whiteside & Brown, 1991); there is a tendency to consider the family as a system that impedes the functioning of the business (Benson, Crego, & Drucker, 1990; Borwick, 1986; Merkel & Carpenter, 1987; Ward, 1987). Family is often labeled as the emotional arena and business labeled as the rational arena. Women are often seen as the problematic aspects of family business functioning, and the family is seen as the part of the equation that needs managing (Budge & Janoff, 1991; Hollander & Elman, 1988; Whiteside & Brown, 1991). Many of these studies are anecdotal, based on either case studies or a therapist's descriptive narrative.

The potential for conflict between the systems varies, depending on the stage of the family business. In their formative years, family businesses often benefit from the overlap of family and business principles. During this stage, the firm's social dynamics are still highly organic, with all employees reporting directly to the founder-business manager. The informal nature of familial relations is frequently carried over into the firm, serving to foster commitment and a sense of identification with the founder-business manager's dream. In addition, during these early days, the family often provides the firm with a steady supply of trustworthy human resources (Lansberg, 1983; Ward, 1987). As the business matures, however, and more complex organizational forms emerge, overlap of family and business systems begins to generate conflicts in the organization. Typically, these conflicts manifest themselves in the form of normative contradictions: Family principles dictate that individuals act in ways that often are contrary to what is ex-

pected of them in terms of business principles.

The unique content and goals of family business conflicts fall into five areas: justice conflict, role conflict, work/family conflict, identity conflict, and succession conflict. Justice conflict concerns problems of compensation and quality of treatment along with allocation of resources (Bork, 1986; Kets de Vries, 1993, 1996; McClendon & Kadis, 1991). Role conflict centers around degrees of confusion and disorientation among roles when family members work together or around the inside/outside phenomenon when the family business employs others who are not part of the family (Freudenberger, Freeheim, & Kurtz, 1989; Kets de Vries, 1993; McClendon & Kadis, 1991; Rosenblatt et al., 1985; Wicker & Burley, 1991).

Work/family conflicts are issues that surface at the intersection of the family and the business subsystems. Identity conflicts involve family members' need to differentiate themselves from family expectations and act as independent, autonomous people; identity conflicts surface through gender conflicts, sibling rivalry, and parent/child interrelationships (Bork, 1986; Dyer, 1986; Freudenberger et al., 1989; Kaye, 1991; Rosenblatt et al., 1985; Ward, 1987). Succession conflicts are mostly related to ownership issues (Dyer, 1986; Rosenblatt & Albert, 1990; Tagiuri & Davis, 1982; Ward, 1987; Wortman Jr., 1994).

Family business conflicts often have significant features that do not fit the prevailing dispute/resolution models (Kaye, 1991). Members of a family group of coworkers quite often fight about deeper issues than the ones with which they claim to be incensed. Often, their reasons for sustaining their conflict are stronger than their ostensible desire to resolve it. Family businesses can be lost through destructive levels of tension between family and business goals (Danes & Rettig, 1993; Rosenblatt, 1991). A strong family business calls for open communication about goals and a desire to resolve misunderstandings (Isaacs, 1991), and activities among system subunits must be coordinated and regulated to ensure the system's stability (McCullom, 1988; Miller & Rice, 1975).

The goal dynamic changes according to the stage of the business life cycle (Churchhill & Lewis, 1983; Robinson, Pearce, Vozikis, & Mescon, 1984; Ward, 1987). Early in the life of the business, owners must spend time positioning the firm in the market, and as it ages, owners redirect their energies to managing the entity. Wicker and Burley (1991) found that couples who founded and sustained their business over time had fewer conflicts over business goals. Churchhill and Hatten (1997) found that the transfer of nonmarket power within the family business is dependent on family roles and interrelationships, further supporting Wicker and Burley's premise.

Hypotheses

Hypothesis 1: Older businesses and those with greater family health have less tension over business issues; larger businesses, those with higher stress levels, and being home based have higher levels of business tension.

Hypothesis 2: Larger businesses, older businesses, and those with greater family health have more success in goal achievement, whereas being home based and having high stress and tension levels leads to less success in goal achievement.

Sampling and Sample Description

In 1997, a nationally representative sample of 794 family businesses were identified and interviewed (Winter, Fitzgerald, Heck, Haynes, & Danes, 1998). Households made up the sampling frame. To qualify as a family business, the owner-manager had to have been in business for at least 1 year, to have worked at least 6 hours per week year-round for a minimum of 312 hours per year in the business, to be involved in its day-to-day management, and to reside with another family member.

Phone interviews of household managers and business managers were conducted; for some family businesses, separate individuals held

those roles, and for other family businesses, one individual held those combined roles. The household manager was identified as the person in the household who takes care of most of the meal preparation, laundry, and cleaning; schedules family activities; and oversees child care. The subsample for this study was 414 family businesses, where two separate people hold the household manager and business manager roles. Each manager completed an individual phone interview.

The business manager was more likely to be male (95%) and the household manager was more likely to be female (95%). The business manager was more likely to have some education beyond a high school degree, compared to the household manager (74% and 69%, respectively). Also, the business manager was more likely to be older than the household manager (mean of 46 years and 43 years, respectively). One-third of the households were two-person households. The range of household size was from two to nine members; the mean household size was 3.5 (SD = 1.4). Thirty-six percent of the households had no children. Nineteen percent had children ranging in age from newborns to 5 years.

The occupational breakdown for the family business (i.e., how they classified themselves) was as follows: 13% in agriculture; 14% in construction; 11% professional, scientific, or technical; 25% in service businesses; 22% in wholesale or retail trade; 1% in transportation; 2% in education; and 7% in finance, insurance, or real estate.

Variables

Independent Variables. The study uses five family and business characteristics to analyze the conditions under which tensions generated by business issues and success in achieving business and family goals might vary. The type of business is a dummy variable, where "1" indicates a home-based business and "0" indicates a nonhome-based business. Fifty-eight percent of the businesses in the sample were home-based businesses.

The business age is the number of years that the business has been in operation. The business age ranged from 1 year to 142 years, with a mean of 20 years, a median of 15 years, and a standard deviation of 20 years. The total number of employees is a proxy for the size of the business. The size of the business includes the business owner. The range was one to 351 employees, with a mean of nine employees, a median of 2.5 employees, and a standard deviation of 29 employees.

The social readjustment rating scale accounts for the occurrence of a cluster of social events requiring change and the magnitude of its effect on individuals (Holmes & Rahe, 1967). It is a measure of "life stress." Respondents were asked whether 10 different events (e.g., death, marriage, loss of a job, etc.) happened to them in the past 12 months. The range was from 0 to 273, with a mean of 29 (SD = 42). The higher the score, the higher the number of events and the greater the impacts of the events in establishing the stress level.

The study uses as the family health variable the family APGAR, an instrument that measures the state of functional integrity of the family (Smilkstein, 1978). This measure is often used in the medical field and is composed of five basic components of family functioning that are reflected in its name "APGAR": adaptation, partnership, growth, affection, and resolve. Each component has a unique function, yet each is interrelated to the whole. Validity and reliability were established on the original measure; Cronbach's alpha for the 5-item scale from never (1), hardly ever (2), some of the time (3), almost always (4), and always (5) was .86 in that initial work (Smilkstein, Ashworth, & Montano, 1982). In the current study, the variable ranged from 5 to 25, with a mean of 21 (SD = 3). Cronbach's alpha for the measure was .82; the higher the score, the better the functional integrity of the family.

Dependent Variables. Both business managers and household managers were asked identical questions about tensions that business issues generate. The introduction to the questions

Table 1. Level of Tension Generated by Business Issues in Percentages (%) (N = 414)

	Household Manager						Business Manager					
Type of Tension	*No tension 1*	*2*	*3*	*4*	*Great deal 5*	*Mean*	*No tension 1*	*2*	*3*	*4*	*Great deal 5*	*Mean*
Unfair workloads among family members due to the business	50	22	15	7	7	2.0	67	14	12	5	2	1.6***
Competition for resources between family and business	53	25	13	7	3	1.8	66	20	10	3	1	1.6***
Failure to resolve business conflicts	58	23	10	5	4	1.7	71	18	9	2	1	1.5***
Confusion among family members over who does what in the business	62	24	9	4	1	1.6	72	15	8	4	1	1.5
Unfair compensation for family members	73	12	7	4	4	1.6	85	8	5	1	1	1.3***
Confusion over who has authority to make decisions	70	17	7	3	2	1.5	80	11	7	1	1	1.3***
Unequal ownership of the business by family members	83	8	5	2	1	1.3	91	3	4	1	1	1.2**

Note. Statistical difference between business and household manager at * p < .05, ** p < .01, *** p < .001.

Table 2. Success in Achieving the Most Important Business and Family Goal in Percentages (%) (N = 414)

Level of Success	*Not at all successful* 1	2	3	4	*Very successful* 5
Most important business goal[a,b,c]					
Household manager	2	5	22	36	35
Business manager	2	6	22	45	25
Most important family goals[d,e,f]					
Household manager	3	4	24	39	31
Business manager	1	9	27	43	20

[a]The mean score for the business manager was 3.84. [b]The mean score for the household manager was 3.95. [c]Statistical difference between business and household manager of $p < .001$. [d]The mean score for the business manager was 3.74. [e]The mean score for the household manager was 3.91. [f]Statistical difference between business and household manager of $p < .01$.

about tensions was, "We'd now like to ask about the ways your business may affect the relationships of family members who live in your home. I will read a list of business issues that sometimes are a source of tension. Please indicate the level of tension that each issue generates in your home life, using a scale from 1 to 5, where "1" means "no tension" and "5" means "great deal" of tension. (See Table 1 for the list of the seven types of tensions that business and household managers addressed.)

Many business and household managers indicated that seven different business issues generated no tension (Table 1). Overall, household managers indicated higher levels of tension than did business managers; in fact, there was a statistical difference between the two types of managers on all issues except confusion over roles (who does what in the business).

The highest level of tension identified for both types of managers was unfair workloads—the one issue where there was the greatest discrepancy between the two types of managers. The next highest level of tension identified was competition for resources between the family and business, followed by failure to resolve business conflicts. These issues were closely followed by confusion among family members over roles.

A factor analysis indicated that these seven tension variables were one factor; as a result, a summed scale was computed, referred to in this study as "total tensions." The range for household managers was 7 to 32; 28% indicated no tension, and the mean was 11.5, with a standard deviation of 5. The range for the business manager was 7 to 31, with a mean of 9.9 and a standard deviation of 3.9; about 39% indicated that there were no tensions around business issues. Cronbach's alpha reliability coefficient for the total tension scale was .81 for the business manager and .83 for the household. Household managers reported a significantly higher level of total tensions compared to business managers.

Household and business managers were asked about the level of success in achieving the most important business and family goal. They were statistically different in terms of the perceived success in achieving the business goal (Table 2). On a 1 to 5 Likert scale of "not at all successful" (1) to "very successful" (5), the mean score was 3.84 for business managers and 3.95 for household managers. Household managers,

on average, indicated a greater level of success in achieving the most important goal identified.

When asked about the success in achieving the most important family goal identified, there was a statistical difference in the answers of business managers (mean = 3.74) and household managers (mean = 3.91). Household managers indicated greater success than business managers did in achieving the most important family goal.

Analyses

Preliminary analyses included frequencies of all variables. T-tests were performed to investigate differences between household and business managers. Pearson Product Moment Correlations were performed to determine whether there were problems with multicollinearity, and none was discovered. Ordinary least squares regression was used to evaluate (a) the contribution of the family and business characteristics in explaining the variance of tensions over business issues and (b) the contribution of those same characteristics in addition to total tensions in explaining the variance in the success in achieving family and business goals. Standardized beta coefficients were used to report the results of the regression equations.

Results

Predicting Business Tensions. Table 3 identifies the family and business characteristics that statistically helped to explain tensions over business issues for both business and household managers. For business managers, in six out of seven of the identified business tensions, family health (APGAR) had a negative relationship to the specific tension. When the APGAR score was high (indicating more functional integrity in the family), tensions were low. When compared with the other variables, such as stress, family health contributed the most in explaining these specific tension areas. Age of the business had a positive and statistically significant contribution to tensions over lack of role clarity and unfair workloads; older businesses experience more tensions over lack of role clarity and unfair workloads. Stress contributed positively to explaining tensions over unequal ownership and unfair workloads. Tension was high for those business issues when there were more stressor events experienced.

Stress and family health were statistically significant in explaining the total amount of tensions over business issues for business managers. The higher the number of stressor events, the higher the total tensions. The greater the functional integrity of the family system, the fewer the tensions. Seven percent of the variance in total tensions was explained by the family and business characteristics in the model.

For household managers, family health made an overwhelming contribution in explaining tensions over business issues. When family health is good, tensions are low. Age of business was a factor in explaining the variance in issues of unfair compensation and workloads. In older businesses, household managers expressed higher tensions over issues of compensation and workloads. Home-based businesses had fewer tensions over unresolved business conflicts. For household managers, family health was the overwhelming predictor of total tensions. When the APGAR score was high, total tensions was low; 21% of the variance in total tensions was explained by the variables in the model. These analyses only partially support Hypothesis 1.

Predicting Successful Achievement of Goals. Total tensions was the only statistically significant variable in explaining the variance in successful achievement of business goals for the business manager (Table 4). The higher the total level of tensions identified, the less success achieved in business goals. The same finding was true for household managers. However, household managers also indicated that having a home-based business met with less success in meeting business goals.

In the case of business managers, good family health was the only statistically significant predictor of successfully reaching family goals. Household managers indicated that older family businesses, those in good health, and those with fewer

Table 3. Family and Business Characteristics as Predictors of Business Tensions (N = 414)

	Business Managers							
	Lack of Role Clarity	*Confusion over Decision Authority*	*Unequal Ownership*	*Unfair Compensation*	*Failure to Resolve Business Conflicts*	*Unfair Workloads*	*Resource Competition*	*Total Tensions*
Type of business	.01	.01	.08	-.05	-.09	-.01	.02	-.01
Age of business	.10*	.07	.01	.09	.01	.10*	-.06	.07
Size of business	-.04	-.02	-.02	-.01	-.03	-.03	-.03	-.04
Stress	.04	.04	.12**	.06	.04	.11*	.08	.10*
Family health	-.17**	-.21***	-.10*	-.08	-.11*	-.15***	-.19***	-.21***
R^2	.04	.05	.04	.02	.02	.05	.06	.07
F-score	3.51**	4.62***	3.02**	1.56	1.74	3.93**	4.87***	5.60***
	Household Managers							
	Lack of Role Clarity	*Confusion over Decision Authority*	*Unequal Ownership*	*Unfair Compensation*	*Failure to Resolve Business Conflicts*	*Unfair Workloads*	*Resource Competition*	*Total Tensions*
Type of business	.03	-.04	.03	.02	-.10*	.01	.06	-.01
Age of business	.03	.03	.01	.11*	.08	.15**	-.04	.08
Size of business	-.01	-.01	-.04	.01	-.06	.01	-.01	-.02
Stress	-.08	.01	-.01	.01	-.01	.02	.01	-.01
Family health	-.30***	-.26***	-.22***	-.31***	-.36***	-.39***	-.36***	-.45***
R^2	.09	.07	.05	.11	.15	.17	.14	.21
F-score	8.15***	6.30***	4.57***	9.62***	13.86***	16.25**	12.76***	21.00***

* $p < .05$, ** $p < .01$, *** $p < .001$

Table 4. Family and Business Characteristics and Levels of Tension as They Predict Success in Achieving Family and Business Goals (N = 414)

	Success in Achieving Business Goal	
	Business manager	*Household manager*
	Beta	Beta
Type of business	-.03	-.17**
Age of business	-.08	.08
Size of business	.07	-.04
Stress	-.04	-.09
Family health	.01	.05
Total tensions	-.13**	-.19***
R^2	.04	.09
F-score	2.43*	6.7***

	Success in Achieving Family Goal	
	Business manager	*Household manager*
	Beta	Beta
Type of business	.06	.04
Age of business	.01	.09*
Size of business	.07	-.01
Stress	-.04	-.03
Family health	.14**	.34***
Total tensions	-.07	-.11*
R^2	.04	.18
F-score	2.81*	14.20***

* $p < .05$, ** $p < .01$, *** $p < .001$

total tensions were more likely to report success in achieving the most important family goal. The R^2 for household managers (.18) was much higher than for business managers (.04), although the F-score in both cases was statistically significant. These analyses only partially support Hypothesis 2.

Summary, Implications, and Conclusions

The purpose of this study was to investigate the predictors of tensions over business issues and achievement of family and business goals. Household managers reported higher levels of tension than business managers did over business issues, but household managers also reported greater success than business managers did in achieving family and business goals. The age of the business and the number of stressors had some impact on specific types of tension, but overwhelmingly, the functional integrity of the family (APGAR score) predicted the level of tension within the family business. For both the household and business managers, the total tension level predicted the success in achieving the business goal, and the functional integrity of the family (APGAR score) predicted the success in achieving the family goal.

Contributions to Research. The study contributes to the literature on family business in several ways. The sample for this study is a national probability sample of family business households in the United States. It provides

empirical evidence of the degree of tension over various business issues and goal achievement through the eyes of two members of the family business—the household and business managers. The Tagiuri and Davis (1992) study had the perspective of only the owner-managers of successful family companies. This study addresses some of the complexities at the intersection of the family and business systems by offering views from business and household managers as well as using both business and family characteristics to explain the variance in business tensions and success in achieving family and business goals. By investigating the effect of inclusion and control on the integration of the family business, the study is also an empirical test of the FIRO model.

In studies where assessing the functional integrity of the family system is critical, the APGAR measure (Smilkstein et al., 1982) provides a reliable, validated, and utilitarian instrument. This instrument, used along with the questions identified in this study to assess the level of tension over seven specific content areas, could provide an assessment of the health of the family business system, especially if given to both household and business managers. This data would serve as the foundational context for interpreting some of the other findings within the study. The assessments would provide a context for evaluating the health of the family business even if data were collected from just one member of the family business.

The findings from this study add to the business goal portrait begun by Tagiuri and Davis (1992). These authors identified goals most often regarded as important to owner-managers of successful family companies. This study identifies both family and business system characteristics that predict the success in achieving family and business goals as perceived by both business and household managers.

Contributions to Consulting. Consultants could also use the APGAR measure to begin to assess the functional integrity of the family system. By using the APGAR measure in combination with the seven tension questions used in this study, consultants could quickly begin to identify the problem spots within the family business. The findings from this study indicate that the perceptions of both household and business managers are critical to assessing the health of a family business by providing a more realistic picture. It is possible that the reason why household managers reported higher levels of tension in all areas is that they are the sounding boards, whereas business managers are engaged in the problem-solving process. However, in his discussion of coping theory, Lazarus (1993) emphasizes that from a measurement and research standpoint, the coping effort (means of managing psychological stress with either a problem-focused or emotion-focused function) is independent from the outcome of the coping effort.

What has been measured in this study is an outcome of coping (level of tension over specifically identified business tensions). The explanation for why household managers report higher levels of tension is most likely to be found in future research that focuses on the coping effort. Although arriving at the actual reasons behind the difference in reporting tension levels requires further research, it is clear from the findings of the current research that the level of tension affects the success of achieving business goals.

Using the responses to the tension questions and identifying the areas of agreement and disagreement between household and business managers could be a springboard to start the problem-solving process. The tension questions might also be given to other members of the family business to develop a grid of agreement/disagreement among family members, potentially providing a target for troubleshooting. Special attention needs to be paid to times of transition in family businesses. The findings indicate that there are times in which boundaries between family and business systems become more unclear and where change (whether perceived as good, such as a marriage or new child, or not good, such as an illness) creates stressors that can impact the successful operation of the business.

Contributions to Management. Managers themselves might be able to use the tension questions to develop an agreement/disagreement grid

among family members working in the business. This information could be a starting point to make the reasons around tensions within the family business more explicit. Kaye (1991) indicates that family business members often fight about deeper issues than the ones that appear on the surface. These questions might be the tool for further communication about the deeper issues. Whether the manager or a more neutral third party (consultant) addresses these issues might depend on the seriousness of the tensions or the scores on the APGAR measure—an assessment of family functionality.

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