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Favoritism and the Family Enterprise System

How Favoritism creates misplaced and distorted
priorities for the family in business

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Favoritism has long been a devastating characteristic in families. In the case of a family in business, the damaging effects of favoritism become magnified. There needs to be a careful distinction between treating future generations according to legitimate needs differences in a family context versus favoritism resulting in a non-meritorious reward or inequality in a family or business context. In a parental context, the founder(s) can find themselves being characterized by their children and future generations as showing favorites when they have taken great pains to avoid such a dilemma. The animosity and guilt arising from such dynamics too frequently find their way into the family business with catastrophic effects.

Traditionally, the favoritism issue manifested itself when 2 or more sons competed for positions in the business. The founders would be unsure how to define and assign roles that would be viewed as fair. Further, the founders were faced with a moving definition of fairness depending on which son defined it or, worse, trying to handle the guilt of not knowing whether each son was treated fairly.

Today, the issue has expanded to include daughters and spouses in the equality equation. Further, our longevity adds to the pressure on the founders because they are faced with treating not only their children, but also grandchildren, with equality.

Finally, the family business risks alienating and losing valued non-family employees if blatant favoritism is displayed in business decisions.

How can families in business deal with the dynamic of favoritism? Here are 3 suggestions:

- 1) Both parents/founders should establish and participate in a specific amount of time devoted only to the family. The business

should not be favored over the children especially when the children are young. This presents challenges when the business is struggling to get off the ground. The founders are first and foremost parents regardless of the existence of the family business.

2) Each child, as a teenager or young adult, can benefit from a non-family member's analysis of his/her work. This separates the parents/founders from being the only source of affirmation for work-product performance. The question of "What would my children do if we didn't have the family business?" is a critical exercise to help clarify plans, providing a foundation for success at work for each child that doesn't depend on the family business.

3) Focusing only on the outcomes or results of decisions that involve multi-generational participants is generally not sufficient to avoid the emergence of feelings of inequality or favoritism. Outcomes are viewed from each participant's perspective, typically with widely divergent conclusions. A more effective approach is to focus on the process of how the decisions are made and implemented. If a process is developed with the involvement of relevant parties, the family will view the process as fair and open book. Feelings of favoritism are more likely to be dismantled and replaced with a desire for the decision to be implemented successfully.

Families in business have many opportunities to strengthen family ties. Those opportunities must be cultivated and cared for to prevent the inevitable growth of favoritism that will choke family unity and the future of the business. The presence of an experienced family business consultant can help develop the process which constantly and effectively allows a free flow of information among all the family to keep the favoritism wolf at bay.