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Entitlement Mentality: Undertones in Unproductive Conflict in Family Businesses

Andrea L. Santiago

"It is not for me. It is for my children. I do not want to deprive them of their right." Elsa, a second-generation family member, shared why she was continually wrestling with her brother about the proceeds of the sale of their father's business. Her father did not feel that either could lead the business, and so, it was sold while it had good market value. Unfortunately, Elsa's father became incapacitated, and her brother assumed responsibility over the wealth generated by the family enterprise. He felt that he deserved more because he worked in the business, while Elsa did not contribute at all.

Studies show that only a third of family businesses are managed by members of the family beyond the third generation. Although many researchers attribute this to the failure in succession (Sharma, Chrisman, & Gersick, 2012), this study contends that it is unresolved family conflict that leads to the inability of the next generation to sustain business operations. Family members are unable to successfully settle disagreements when they do not find justice from perceived inequities. Inequities result from the belief that one does not receive what one deserves and to which one has a right. When individuals believe that privileges are rights, then they are said to possess an entitlement mentality. Huseman, Hatfield, and Miles (1987) disclosed that the outward manifestation of excessive entitlement is dysfunctional.

Family members with excessive entitlement attitudes take an offensive stance in advancing their privileged status, whereas family members who realistically earned their entitlements defend them from those who try to take them away. Business families that are unable to work through their entitlement attitudes are likely to experience continued, persistent, and possibly escalating conflict that may harm both family harmony and business performance. Conversely, business families that are able to resolve their entitlement mentality are able to focus family efforts on addressing business issues and increase the chance of business sustainability.

While the area of entitlement has been the subject of a growing number of researches, studies have been limited to the disciplines of psychology and law. Discussions on the effect of entitlement mentality on family businesses are found mostly in nonacademic literature. This paper, thus, takes a more structured approach to establish a link between entitlement mentality and unproductive family business conflict. The paper presents a new perspective and practical insights that would hopefully spur more inquiries on the effect of entitlement mentality on family business longevity. Moreover, this study bridges the social sciences with management sciences and merges theories on conflict management with family business.

This study maintains that family conflict is likely to bear down on how family businesses are managed, which, if left unattended, can damage family relationships and business operations.

Literature Review

Ma, Lee, and Yu (2008) reported that, for a 10-year period, the central themes of 556 articles on conflict management zeroed in on "workplace conflict and conflict management styles, cultural differences in conflict management, conflict in child and adolescent development, and group conflict and work performance" (p. 234). Furthermore, while conflict management research and family business studies have coexisted for decades, there is a dearth of published academic research on conflict management in family businesses. Over a 20-year period, Frank, Kessler, Nosé, and Suchy (2011) determined that there were only 10 relevant articles merging the two disciplines.

Pondy (as cited in Speakman & Ryals, 2010) presented that rather than regarding it as an exception, conflict should be considered as the norm. Speakman and Ryals (2010) contended that following development in complexity theory, conflict is not unidimensional nor does it occur sporadically. At any one time, multiple conflict situations can crop up with different levels of intensity—spanning over different time periods and eliciting different responses from the individuals involved.

Frank et al. (2011) posited that family businesses are more susceptible—relative to a typical organization—to conflict precisely because of the added dimension of family involvement. Left unresolved, discords can bring about poorer business performance, if not weaker family relations. Whether conflict itself leads to poor performance or poor performance leads to conflict is something worth exploring. For instance, Danes, Leichtentritt, Metz, and Huddleston-Casas (2000) forwarded the view that economic crisis can actually exacerbate family disagreements.

Realistically, not all conflict is bad given that the right amount of discord may provide the necessary tension to arrive at better outcomes (Fitzpatrick, 2007; Kellermanns & Eddleston, 2004, 2007; Speakman & Ryals, 2010) and that the resolution of which may involve a fair process that is essential in building trust and commitment (Van de Heyden, Blondel, & Carlock, 2005).

Early research on family business centered on the causes of conflict. Levinson (1971) attributed disputes to rivalries, particularly between fathers and sons. Meanwhile, Davis and Harveston (2001) claimed that conflict between generations become more pronounced as one moves away from the founding generation**.** They also noted that greater social interaction in business families creates a fertile environment for tension. However, Fitzpatrick (2007) contended that the alignment of value systems is a good response to conflict and is a prerequisite to effective collaboration. Nonetheless, despite having the same background, not all business families respond well to conflict.

Literature confirms that business families are interested in finding solutions to persistent themes (Sharma, Chrisman, & Gersick, 2012). Succession is the most widely investigated topic as family business owners are interested in bequeathing the business to a relative who can grow the enterprise. How families are governed and its effect on business performance and professionalization are topics that have likewise piqued the interest of researchers. On the more practical side, families are interested in the employment conditions, including the compensation, of family members and when children should be exposed to the business—in their early or late years.

Underlying the concern of many business families is maintaining family harmony while growing the business into a state that would sustain future generations. From the viewpoint of the founding owner, there is a strong urge to be fair. However, what is fair (Feng et al., 2013)? Although equality is the norm for most families, there are those who claim that to be just, one must be equitable. Still others believe that fairness is receiving something in proportion to what one has contributed. Since equity and proportionality bring with it subjective perceptions, fairness is only achieved when family members believe that personal expectations are met. If not, there is inequity.

The concept of entitlement made its way in the study of organizational behavior when Huseman, Hatfield, and Miles (1987) developed the Equity Sensitivity Instrument (ESI) that measured the perception of employees on job equity. On opposite sides of the spectrum, they identified employees willing to give more than they receive as “benevolents,” while those who wanted to receive more than what they bring in are referred to as “entitleds.” Davison and Bing (2008) introduced a multidimensional spin by recognizing the two aspects of equity: inputs and outputs. In either case, Naumann, Minsky, and Sturman (2002) realized that, in studying entitlement in the workplace, it was necessary to determine the employees’ entitlement perceptions and the reciprocity in the employee–employer relationship.

While individuals may be born to wealth and feel privileged, Hughes (2008) posited that the feeling of entitlement is not something with which an individual is born. Rather, it is transferred and grows in a symbiotic environment (Cooper, 2012). This suggests that parents, especially those who own businesses, may unwittingly encourage such behavior in their children. They may project an entitled mentality, for instance, by granting themselves certain privileges because they own the business or even by expecting that their children work in the family firm for little or no pay (Eddy, 2006; Frowine, 2003). They may also be overprotecting or overparenting their children and/or using family wealth as a carrot and stick. These examples may nurture a feeling among the next generation that they are extraspecial, which fosters a dependency attitude and strengthens the notion that they are entitled to special treatment because of “who they are” instead of “what they have accomplished” (Brown & Jaffe, 2011; Givertz & Segrin, 2012; Segrin, Woszidlo, Givertz, Bauer, & Murphy, 2012).

In the family business, the perception of entitlement is evident in the expectations of unconditional employment, distinct treatment compared to those who are not part of the family, and assurance that the family wealth will be inherited (Eddy, 2006; Johnson, 2006). Therefore, a family member may feel cheated if expected benefits are not received—which results in anger, frustration, and socially dysfunctional behavior (Cooper, 2012).

Access to sufficient wealth when the family business is performing well tempers feelings of injustice. As the business prospers and the family grows, there is, however, a tendency for the younger generation to expect their lifestyle to be maintained. Some may work in the family business while others may not. Yet, each may feel entitled to the business proceeds by virtue of their family name (Frankenberg, 2008; Furnari, 2006). Nonetheless, if the firm wealth grows faster than the family size, then the feeling of fairness may be maintained. However, if business wealth tapers—or the economy experiences a downturn—the feeling of inequity is exacerbated

(Brown & Jaffe, 2011). Consequently, business decisions made under these circumstances may be stymied until the perceived injustices are addressed.

The literature suggests that there are levels of entitlement—from low to high or from deserved to undeserved. Clearly, business families should guard against what Fisk (2010) termed as excessive entitlement, which is found in narcissistic individuals whose distorted sense of self may lead to aggressive behavior (Moeller, Crocker, & Bushman, 2009; Reidy, Zeichner, Foster, & Martinez, 2008). Instead, business families should nurture "equity sensitive" members who are able to ground their expectations on what is real and true (Huseman, Hatfield, & Miles, 1987).

Jaffe and Lane (2004) emphasized that, if the sense of entitlement is an acquired trait, then there is a lot that business families can do to ensure that family members are raised with the view of "earning their keep" and minimize expectations of "getting something for nothing" (Johnson, 2006). Jaffe and Brown (2009) opined that family members can be taught to become stewards of the family wealth, which, in the end, may be the true equitable solution.

Studies on conflict management suggested that discords can be resolved if family members communicate with one another and work towards more collaborative solutions to problems (Sorenson, 1999). There is no doubt that communication in an environment of trust is helpful in preserving family harmony. However, if family members do not address the root of the conflict, then problems will resurface. In all likelihood, repetitive disagreements stem from feelings of inequity.

Methodology

The case method was used to understand the relationship of entitlement mentality and conflict in family business. The researcher utilized an in-depth qualitative approach that draws on the accounts and experiences of family members to arrive at a theory. Close to 40 family members, aged 16 to 84, working in 10 family businesses were interviewed. The researcher relied on old contacts to provide leads for potential case participants. Two families did not feel comfortable sharing their conflict issues in public even under assurances of anonymity. Thus, their stories were excluded from the study. One family described an intergenerational conflict, which was also stricken from the paper, because it was not comparable with the rest of the cases.

Three families that were interviewed for an earlier study on conflict were contacted to determine whether their previous conflict situations were resolved and to gain more information and insight on the current research theme of entitlement. In addition, for one of these three family businesses, transcripts of a previous study were used for three family members who had passed away. The case was still used after new information was gathered from other family members. Due to the nature of the study, all case participants preferred to remain anonymous.

A semi-structured interview guide was used to elicit the perceptions of family members on entitlement and conflict. It should be pointed out that the objective of the research is not to generalize among all family businesses but to derive insights that would serve as bases for a possible measurement instrument. Thus, the analytic strategy was to examine each transcript and find common trends and themes based on the case participants' perceptions as the underlying source of their conflict. The researcher avoided using the word *entitled* and, instead, allowed the respondents to describe in their own words their sentiments about conflict situations. These descriptions were compared to published definitions of entitlement.

The findings presented herein draw from the themes that emerged from the transcripts. Direct quotations are used to provide flavor and allow readers to form their own conclusions. By the process of induction, experientially derived data is expected to result in a new theory that other researchers may test.

Results and Analyses

Lewis and Smithson (2001) presented that people's perception of fairness influences their sense of entitlement. They likewise asserted that fairness is assessed by comparing one's circumstances with another who is similarly situated. A sense of entitlement is also developed when one assumes that another will look after his needs and wants, such as the expectation that parents will provide for their children. Thus, children feel entitled to their parents' wealth. These presumptions have driven conflict situations in family businesses.

Appendix A presents a short profile of the case participants, while Table 1 compares their profile.

Table 1. Case Participant Profiles

Case	Business	Current Generation	No. of Family Branches	Manila-based?	Ethnic Origin	Business Outcome	Family Outcome
1	Hospital, college	2nd	6	Yes	Filipino	Ongoing	Strained
2	Department store	3rd	6	No	Filipino	Reduced to property rental	Vocal dissent
3	Mall	2nd	6	No	Chinese	Ongoing	Quiet dissent
4	Jewelry retail	2nd	5	Yes	Filipino	Ongoing	Polite
5	Restaurant	3rd	12	Yes	Filipino	Disbanded	Antagonistic
6	Real estate	2nd	5	Yes	Filipino	Disbanded	Antagonistic
7	Leather retail	1st	4	Yes	Filipino	Ongoing	Tentative

Three of the seven family business participants had conflicts that resulted in a downturn or the creation of separate businesses per family branch, whereas the others have functioning businesses, although family relationships are strained.

Appendix B captures the conflict situations and resolutions of the seven cases. The stories are likewise included in the emerging theme as subsequently described.

Fair is Equal

The natural default of offspring is to assume that fairness is equality. When a sibling is given more attention or privileges than others, there are complaints of favoritism. Parents, therefore, try to give the same things to all their children, even if sometimes they secretly give more to others.

Bob (in Case 5) is the subject of envy because his siblings feel that he is too attached to their mother. He bore the brunt of that jealousy when his mother passed away and there was no one to defend him against his siblings. Thus, even when he worked in and contributed to the family business's growth while his mother was still alive, his leadership was questioned after her death. He was given one restaurant branch to manage. When his branch's profitability made it possible to open a second one, his siblings protested. They believed that Bob having another restaurant would only be fair if all the others had two branches each.

Proportionally, Equally, Equitably

Is equal fair? Stone and Stone-Romero (cited in Miller, 2009) forwarded that individuals can think of fairness as equal, whereby each receives exactly the same share regardless of circumstance. It can also mean proportionate—someone who contributes more should be given more. Fairness can likewise be defined as equity or distribution according to need, wherein a person who needs more gets more. If family members agree on what is fair, then there will be no conflict. Huseman, Hatfield, and Miles (1987) asserted that, following Adam's equity theory, most family members believe that fairness depends on personal circumstances. Hence, a family member who feels highly entitled would ignore the input–output formula and insist that privileges are determined by birthright that transcends generations.

Each of the seven cases applies these varying definitions of "fairness." Clearly, family members who worked in the family business and who put in long hours such as Ben (Case 2) and Bob (Case 5) believe that they deserve a bigger share of the family wealth. In contrast, the eldest sibling in Case 1, through the prodding of his wife and daughter, feels that even if he does not manage the family business, he is still entitled to the business proceeds. Similarly, his female siblings feel that they should be allowed to make money off the business by establishing their own canteen operations within its premises.

The Cruz family (Case 3) is also at the crossroads. Each family member appears to have special circumstances, and the old formula of equality no longer appeals to everyone. The eldest is incapacitated due to a stroke. The second, with seven children, is the president of the business. The third, a female, and the youngest, a male, are both single—although the youngest has a partner. The president wonders why he should receive the same salary as the youngest given that he is the head of the company and that he has had 20 years more work experience than his brother. "*I am also the child of our mother*," was the response of the youngest.

Equality of Opportunity Versus Equality of Results

Case 6 exemplifies the difference between equality of opportunity and equality of results. It was Ester's idea to start a real estate development business that targets low-income households. However, she received financial support from her parents, which allowed her mother to have a say on Ester's choice of a partner. Ester's mother insisted that the brother living in the United States be allowed to join the family business. Grateful for the funding, Ester acceded. Ester also did not protest when her mother funded a rival real estate firm managed by Ester's two other siblings. Her mother's reasoning was that all her children should enjoy the same lifestyle. This is equality of results.

Equality of opportunity refers to leveling the playing field by giving each child the same chances to succeed. What happens next, as a result of effort, becomes the responsibility of the individual (Ooghe, Schokkaert, & Van de gaer, 2007). In many family businesses, parents, in an attempt to be fair, provide their children the same educational and career opportunities.

Exploitative Versus Nonexploitative Entitlement

Lessard, Greenberger, Chen, and Farruggia (2011) dichotomized the type of entitlement into belief and outward behavior of individuals. Individuals who believe that they deserve more than another and openly flaunt their privileged position in a disruptive manner—narcissists—exercise exploitative entitlement. Moeller, Crocker, and Bushman (2009) concluded that narcissists tend to destroy relationships. On the other hand, confident individuals, who believe in their self-worth and expect positive outcomes without taking advantage of others, exercise nonexploitative entitlement. In a fair exchange, nonexploitative individuals expect more because they give more.

The youngest Abad (Case 1) believes that he was responsible for the growth of the family business. He used to run his own firm, providing outpatient diagnostic facilities outside Metro Manila, but decided to give up the company to help in the family business. Initially, it was his elder sister who held the title of "president"—although he felt that he did all the work as operations manager. When his sister decided to migrate, he was finally given the title but not the commensurate salary. As the youngest, he hoped that his elder siblings would acknowledge his work and, eventually, approve an increase in his salary. When this did not happen, he authorized it himself. The decision was questioned by the daughter of the eldest Abad sibling. However, in a board meeting, his other siblings ratified the increase he gave himself, which angered his niece more than his eldest brother.

In Case 2, it was evident that Ben put in the work and deserved to receive more than his siblings, who did not contribute as much. However, his siblings felt that it was unfair. Thus, Ben conceded to give his siblings an equal monthly allowance. However, he did not share with them the proceeds of an enterprise that he put up with his own equity when the family business collapsed. Ben's siblings protested. They contended that the new firm was a related undertaking of the family business, thus they were entitled to some of its profits. Factions formed among the six siblings, each trying to protect his claim to the remaining business assets and the new company. Up to his deathbed, Ben refused to share any proceeds with his siblings.

Family Wealth Is Business Wealth

When families have businesses, family members expect that the wealth the firms generate becomes part of the family wealth and, thus, their inheritance. Drake and Lawrence (2000) maintained that in many instances, even when an individual has a choice, inheritance is distributed equally. They attributed equality's popularity to the ease of implementation and likened it to the equal allocation of love, as supported by the studies of Simon et al. (as cited in Drake & Lawrence, 2000).

Equality in the allocation of wealth is supported by the family members in the seven cases. In the Garcia family (Case 4), for instance, the eldest believes that the sibling who lives in the ancestral home has actually received more than the rest. Similarly, Mon and Luz Perez (Case 7) are still alive, but they foresee that their children expect the business wealth to be distributed equally. They are considering selling the business and dividing the proceeds among their offspring, including their adopted child, before anything happens to them. They fear that their adopted child will be bullied by their natural children should they delay the decision.

Strong Parental Influence

The overinvolvement of a parent in a child's life reinforces a child's dependence on the parent and encourages self-entitlement (Givertz & Segrin, 2012). Baumrind (as cited in Givertz & Segrin, 2012) described this type of parent as authoritarian. An authoritarian is highly controlling and expects blind obedience. Campbell, Bonacci, Shelton, Exline, & Bushman (as cited in Givertz & Segrin, 2012) concluded that children raised by highly controlling parents tend to grow up narcissistic, believing that they deserve more than the rest. While this is may not be the intention of parents, this type of parenting style may very well explain a false sense of entitlement (Segrin et al., 2012).

"*What can I do?*" asked Ester (Case 6). "*My mom keeps interfering and comparing us against each other. That is why my siblings butter up to her. If they can't get their way with me, they go to her. Then, I have to give-in. Is that fair?*"

In almost all of the seven cases, the parent responsible for making decisions in the family business was the mother. It is possible that the fathers had steady paying jobs, but this may be cultural as well given that women are the managers of wealth among Filipino families. Regardless, the presence of the dominant parent appeared to control the behavior of their children—perhaps through fear or respect. Thus, even if the children felt that there were some inequities (such as favoritism in Case 5), they did not complain.

In the absence of the dominant parent, the family harmony is threatened. This is true for the first five cases. The youngest Abad (Case 1) had this to say: "*Our family friends admired us. They always remarked how well our parents raised us. That is why I cannot believe what is happening. My brother stood as our father after my father died. We looked up to him. Now, he is making it difficult for us to move the business forward. I don't know. Maybe it is his wife or daughter. He was not that way before. My mom is probably turning in her grave.*"

For the five cases, even the decisions regarding the granting of positions, compensation, benefits, and allocation of wealth are questioned. The Cruz family members still talk to each other, but the situation is becoming tense. They have never declared any dividends, but all family expenses are charged to the family business. The youngest Cruz questioned why the education expenses of two of his nephews abroad are paid by the family firm. He also wants to know why the business funds the education of the seven children of the eldest sibling and why the company has to buy new houses for each of his married nephews and nieces. The firm also bears the cost of airline tickets of siblings, spouses, and their children. At the moment, he is unmarried and has no children of his own. His sister explains that the youngest receives the same monthly salary as everyone else, and since he has no family, he can use the entire amount on himself. The rest of them have to live on the same salary even if they have children. "*Are you questioning the wisdom of our mother?*" she asks.

Discussion and Emerging Theory

Except for a few instances where the words *entitled* and *entitlement* were actually uttered by the interviewees, it would appear that conflicts arose from the need to correct the perceived inequity in the distribution of family wealth. Conflicts surfaced because the previously accepted norm of equality no longer resonated among all siblings. One explanation for this is that members have more needs owing to, perhaps, a growing family of their own for whom they would like to provide a standard of living to which they themselves have grown accustomed. Also, in the absence of a dominant figure who they can trust to take care of their needs, there appears to be a struggle to protect the interest of "my" family branch.

Drawing from the relevant literature and the findings of this research, it would seem that the sense of entitlement among children is reinforced in a family business where parents remind their children that the company is for the family and it is meant to support their lifestyle. While the parent is alive, fair is equal and equal is fair. The concept of fairness begins to change as children grow older and find expression when a dominant parent dies. At this point, both the family wealth and the needs and wants of children may have increased disproportionately. Without an authority figure to arbitrate, children want more and, thus, justify their perceptions of entitlement through need (equity) or merit (proportionate to input). If siblings agree that there should be a change, then there is no problem. If they do not, conflict will emerge.

Conclusion, Practical, and Policy Implications

"Someday, my son, this will all be yours." Constantly reminded that the family business was established for the family and founders have intentions of entrusting the enterprise to family members, the next generation naturally expects that the business will eventually be theirs to administer and control. While some heirs may choose not to work in the business, they may insist on being members of the board of directors and, certainly, demand their share of the business wealth. Often they claim that it is not their personal interest that they are protecting but the interest of their respective families.

Entitlement becomes a problem when family members take more than what they contribute and when they expect to receive equal to, or more than, another by virtue of their family name. Consequently, instead of growing the family enterprise to provide for future generations, the jockeying for perceived entitlements may divert attention away from the business.

The research confirms the a priori that the feeling of entitlement stems from concepts of fairness. In a culture such as the Philippines, where the distribution of inheritance favors equality among equals, siblings expect that each will receive the same proportion of the family wealth. Where the wealth is generated by a family business, it follows that each expects to share equally in the proceeds regardless of circumstance or inputs.

Conflict erupts when there are family members who challenge the notion of equality as the basis of fairness. Some argue that equity is a better yardstick or that those who need more should get more. Yet, this too encourages unproductive behavior.

There is also confusion when applying equality. Does this refer to equality of opportunity or equality of results? The former means that family members are given equal chances to succeed, with parents giving each family member the same inputs. The latter means that family members should have similar results. Thus, if one family member is more progressive, assistance is given to those who lag behind so that the same results can be achieved. This implies that family members who are not as fortunate due to circumstance or their own personal decisions are provided differently. When the basis for equality is not clear to all, this also leads to conflict.

Regardless of how fairness is defined, the contention is that one is entitled to a stream of benefits by virtue of filial relations with the founder. In good times, when wealth is abundant, some may fight to get a larger share. In bad times, when debts are mounting, the same individuals may prefer a formula that reduces their exposure.

It is also interesting to observe that conflict surfaces when the founder has passed, specifically the dominant parent. It appears that the behavior of the next generation is controlled by respect or fear of the elder, usually the mother in the Philippines, and is let loose when there is no one to arbitrate. "If our mother was alive, this would not have happened" is normally expressed by a sibling or two who are currently in a tussle with another family member about how to manage the family business and wealth.

However, not all family members grow up believing that they have the right to work in the family business or that they are entitled to automatically enjoy its fruits, at least not at the same level as other family members. For instance, in many traditional Chinese family businesses, the founders stress that only male heirs are entitled to own and manage the business, with preference and greater perquisites accorded to the eldest male heir. As such, it is their natural expectation that they be accorded the same treatment and privileges as their parents when they eventually assume business leadership. Under Chinese customs, females are expected to marry and support their husband's enterprises. Thus, daughters do not expect to share in the family business wealth. However, they do receive special gifts from their parents. Chinese family businesses avoid future conflict with their children for as long as they uphold Chinese tradition.

For Philippine family businesses, the entitlement attitude can be held in check when children are brought up "to work for their keep." However, the extreme of not sharing wealth with children may also lead to resentment and detachment, which, in turn, awakens the need to scramble for a "fair" share of the wealth when the parent dies.

According to Huseman, Hatfield, and Miles (1987), the sense of entitlement has several levels that can be measured by the ESI. In family businesses, no instrument exists to determine the perceptions of fairness and entitlement. This research proposes the "What is fair in family business" instrument in Appendix C. The questions emanated from the interviews with family members and explore how the sense of entitlement evolves from parenting through later years.

As family members answer the instrument, they may begin to understand what is troubling them the most and, thus, spend time to discuss with their family members what fairness means to them. The resolution may then help them find collaborative solutions to the other problems that beset them.

Understanding the effect of entitlement mentality in the family business is important because the behavior results in conflict, which in turn, affects business longevity. Families who are used to a standard of living provided by the family firm expect the business to provide for their needs and wants continually. Anything that threatens this notion, including actions taken by siblings and other family members, becomes a source of conflict. If not addressed to the satisfaction of all, unresolved discord can hinder business growth.

The growth of the economy is the sum of the growth of all businesses. In the Philippines as in many parts of the world, family businesses comprise anywhere from 80%–90% of all establishments and are part of the top 10 firms that contribute to the gross domestic product (GDP) (Cruz, 2015). The failure of family enterprises, therefore, can contribute to economic slowdowns.

Nevertheless, despite the relevance of family businesses to economic growth, there is little attention given to the influence of family attitudes, beliefs, and values on Philippine family businesses. Instead, focus is given on their managerial and strategic functions, as if these are the only determinants to family business success. Even among small- and medium-sized businesses, advice is limited to financial and business solutions. Nevertheless, in developed countries, family business centers and educational programs have grown exponentially in the past 20 years. Academics and consultants recognize that helping families deal with their relationship problems is a battle half won.

In the Philippines, it is difficult to convince policy makers and even financial advisors about the merits of paying attention to family business issues due to the lack of local researches that link the impact of family business activity on GDP. Yet, a closer look at the wealthiest individuals in the country shows that family firms dominate Philippine businesses. Even if many of the larger family enterprises are professionally managed, a former president of a noted family business (Rowell Recinto, personal communication, May 19, 2014) stated that "at the end of the day, it is the family name that matters."

Limitations

This study relied on the accounts of family members about the conflicts they face in the family. There are families who deny that conflict exists even if others witness their squabbling. There are others so affected by the family conflict that their self-account may be tarnished by their emotions. To guard against this, the researcher corroborated conflict situations with as many family members who are willing to discuss them. In a few instances, nonfamily members were asked to provide insight.

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Appendices

Appendix A. Glimpse of the Family Participants and their Business

Case 1—Abad Hospital and College

The Abad couple always wanted to establish a hospital, and they realized this dream when their eldest son became a doctor. Together with their son, they established their first hospital in a major city outside Metro Manila. This soon gave rise to two other hospitals in adjacent cities and eventually a school of nursing.

As the two other children became medical doctors, the couple decided to open a hospital in Metro Manila, which was then transferred to another city, also in the metropolis. It is this hospital—the Abad Hospital and the Abad College—that the couple bequeathed to their six children. The college also offers courses besides nursing.

Third-generation family members, most of whom are medical doctors, are beginning to work in the hospital or college but hold no managerial position.

Case 2—Reyes Department Store

Ana Reyes used the proceeds of her trading activities to establish a department store in the 1950s so that her children could eventually manage the business together. The eldest son, Ben, worked with his mother to grow the department store operations. When Ana passed away, he took the cudgels of running the business and training his five younger siblings. It was under Ben's supervision that the department store gained a good reputation. However, it was also under his stewardship that the business began to collapse. His siblings believe that it was Ben's reluctance to respond to the changing environment and his autocratic management style that led to the business downfall.

Third-generation family members participated in the store operations when the department store was still profitable. The second- and third-generation family members are between 70 and 85 years old and between 30 and 60 years old, respectively. Three of the second-generation family members have passed away.

Case 3—Cruz Mall Operation

The Cruz couple started a supermarket operation in a province south of Metro Manila in 1945. The business began to expand to include apparel. By 1970, there were two stores. The first turning point of the business was when the matriarch handed over the business to her children in 1980 after suffering from a stroke. It was then that the children decided to incorporate. From then on, the second-generation owners began to diversify the subsequently established mall operations.

Third-generation family members are exposed to the family business. The older ones hold managerial positions, while the younger ones hold odd jobs during summer breaks.

Case 4—Garcia Gemology

May Garcia started her business as a hobby, but when sales started to pick up, her husband decided to help her full-time. The jewelry business grew steadily, and some of the proceeds were used to finance other types of unrelated businesses. All went well until her husband passed away, and their only son, the middle child, took over the leadership of the family enterprise. The five siblings subsequently decided that the second sister should take over the jewelry firm, while the other siblings handle the remaining businesses. The former remains the flagship company, and the siblings meet weekly to discuss strategies. The second sister grew the retail outlets until she had to let it go due to her second bout with cancer. The youngest sister is now in charge of the business. The business, however, has stagnated.

Only one third-generation family member worked in the jewelry business. She resigned when her mother, the eldest of the five siblings, decided to enter the real estate business to wean dependence on the jewelry company.

Case 5—Hizon Restaurant

Rita Hizon started her restaurant business in the 1940s. Her restaurant was regarded as one of the restaurants to be seen in as Americans and government officials often frequented the place. Her 12 children worked in the restaurant. Among all of them, Bob, the middle child, was always around and, thus, learned all aspects of the business. The number of restaurant branches increased over time. When Rita passed away, each of the 12 children were given one branch to manage. However, not all branches performed well.

The entry of third- and fourth-generation family members diluted the main business. Each branch now operates their own food business leaving only two restaurants with the Hizon Restaurant trademark.

Case 6—Lim Real Estate

Ester Lim, the youngest of five siblings, started a real estate development company specializing in low-cost housing together with her husband and her older brother with his spouse. She invited a second brother, who was then based in the United States, to join them, but he declined at first. After several years, when the business was making money, he returned to the Philippines with his family. All of them worked in the real estate business established by Ester. The three couples expanded the business, and seeing how profitable it was, Ester's mother encouraged the remaining siblings to also enter the industry. However, the siblings' firms did not succeed. Meanwhile, Ester's company was affected by the downturn in the market, as her siblings continued to milk the business, driving it to bankruptcy.

Case 7—Perez Leather Store

Mon and Luz started a leather shoe manufacturing business 50 years ago. They began selling their shoes and other leather products in a small outlet until they became mall based. Riding on the franchise wave, they decided to expand their business through franchised operations. Seeing its potential, they decided, years before retirement age, to transfer the business to their children. They have three offspring and one adopted daughter. At that point, none of the children seemed to possess the traits that Mon wanted for a successor. Hence, to date, the company is still being managed by the couple.

The four children continue to work in the family business. The third-generation family members are still in their teens.

Appendix B. Conflict Situations, Resolutions, and Impasse

Case 1—Abad Hospital and College

The Abad children did not foresee that they would encounter any major conflict since they had always enjoyed each other's company. Their parents raised them to be respectful and accommodating. When their mother died five years ago (their father having died much earlier), they continued to maintain warm relations with each other. Two years ago, at the time when the college was generating good revenues under the stewardship of the youngest Abad, a doctor trained in hospital management, trouble began. All of a sudden, the eldest brother, who owned and managed the three hospitals and the college in the province, felt that he needed to be more involved in the Manila-based family business and to stake his claim on part of the proceeds of the business. While he had been chairman of the board for a long time, he had always been solicitous. Now, he has become difficult to work with, opposing all ideas and delaying resolutions. He brings to board meetings his eldest daughter, who is a lawyer and who speaks for her father. His siblings question the daughter's intervention and insist that she can attend the meeting but cannot speak unless prompted. The eldest sibling refuses. Meanwhile, the siblings meet secretly and are ready to boot him out as chairman. They collectively feel that their eldest brother is probably getting senile and that his wife and daughter are the ones encouraging him to "protect" his interests. The siblings are not aware of the financial stability of the hospitals that the eldest exclusively owns and manages. (The eldest was not interviewed.)

Case 2—Reyes Department Store

As the eldest and having been personally trained by his mother, Ben felt very responsible for the growth of the department store. He managed the business as if it was his own and made all major decisions. His siblings were assigned to different aspects of the business, but since their initiatives were always questioned by Ben, they focused only on the tasks assigned to them. Nonetheless, they expected their monthly allowance. Conflict erupted after the matriarch passed away and the company began to lose money. Consequently, the business could no longer afford the family members' allowances. Ben, on the other hand, was able to find a way to generate new money as an offshoot of the department store operations. Since he claimed the idea as his, he retained all the new income.

The six siblings have been very respectful during the board meetings, but after each meeting, there was always a second meeting, sans the eldest, where the siblings air out their misgivings. The misgivings are also shared with third-generation family members, who egg their parents to protect their interests for the benefit of their children. The cousins have also grown suspicious of each other.

Ben and two of his sisters recently passed away. Ben's remaining sister has assumed the role of the eldest and, with it, the ire of her two brothers and the children of the deceased siblings.

Case 3—Cruz Mall Operation

The Cruz siblings do not openly confront one another when there are differences of opinion on how the business should be run. However, since the matriarch passed, there have been issues on compensation and benefits. Some have raised the need to revisit the manner by which they are distributed to each member of the family. Despite meetings with a professional advisor, the siblings have not implemented the proposed scheme that ties compensation with responsibilities. The females contend that the traditional manner of equally distributing the proceeds should be retained. However, the eldest, who serves as the president, insists that he should receive more since he takes full responsibility of the business. The youngest brother agrees, provided that the eldest is held accountable for the losses the firm suffered in the past due to an error in the president's judgment. The youngest also contests funding the third generation's education and travel benefits as these increase the share of the siblings who have children. He has none.

The siblings foresee that there may be a problem soon since the third generation is becoming involved with the business on a full-time basis. There are those who feel that only qualified third-generation family members should be allowed to join the family enterprise, while others insist that the business should provide jobs for all family members.

Case 4—Garcia Gemology

The founders of Garcia Gemology were autocratic, and so the children were used to doing what they were told to do. Of five siblings, the first two were heavily involved in the jewelry business. The only male handled the investment company, while a younger sibling dabbled with cinema and art production. The youngest sibling later became the general manager of the jewelry business.

The trouble started when an in-law helped in the investment company and incurred considerable losses after years of good profits. The Garcia siblings took this against the in-law. From then on, relations were strained. Another bone of contention is the in-law and his spouse taking residence in the ancestral home. As the house is a symbol of family unity, there is a hesitation to sell the home and distribute the proceeds equally.

Likewise, the siblings are hanging on to the family business to force them to see each other weekly and to fulfill the legacy of their parents. However, since the siblings were used to being told what to do, they had a difficult time running their various businesses without their parents. The eldest tried to introduce innovative strategies, but the rest of the siblings preferred to be conservative. Thus, the eldest started a real estate business with her husband although she still attends the Garcia Gemology board meetings.

Case 5—Hizon Restaurant

Each of the 12 children of Rita Hizon felt they played a critical role in the success of Hizon Restaurant. Thus, when Rita appeared to favor Bob, there was a lot of animosity. These emotions were unleashed when Rita passed away. The siblings were very vocal about the perceived injustices as each wanted a bigger share in the company profits and the use of the brand name. The third-generation family members were just as vocal, and they fueled the conflict of the Hizon siblings by encouraging their parents to fight for their "rights." The fourth-generation family members are not as affected as their parents since they grew up exposed to the business of their family branch only.

Case 6—Lim Real Estate

The first sign of trouble for the Lim family was when the siblings began to treat the company funds as their personal kitty. Each of the three couples was living luxurious lives even when the business was not doing well. There were also accusations of theft.

The couples did not want their children to be involved in the business, but their children saw the fortune to be gained from the real estate firm. Thus, they all wanted to participate. To avoid conflict, the three couples decided that, at some point, each of the couples would start their own real estate company. When Ester's husband died of a heart attack, her siblings wanted her to use the insurance money to help the floundering business, but she refused. Instead, she set up her own. This angered her siblings, who felt that she had an obligation to help the family enterprise. Consequently, her siblings decided to also start their own real estate businesses and began to engage in unethical competition.

Case 7—Perez Leather Store

Mon and Luz are frustrated because none of the children appear to be competent and serious enough to take over the family business. The eldest son has no interest in the family firm. The second child works in the business but does not put in enough hours for the employees to respect him. The third child, a daughter, is busy raising her family. While she reports to work, she is easily distracted by her daughter, whom she brings to work. Her husband, whom she met in the business, worked in the leather store for some time but decided to find another job to prove himself. The fourth child, who is still in college, is adopted.

The natural children of Mon and Luz are questioning whether their adopted sibling should be entitled to any part of the family wealth. Among themselves, they are also arguing whether the second sibling, who is working in the business, should be paid more since he is not always present in the company.

Appendix C. What is Fair in Family Business

1. Family members who work in the family business should be compensated as follows:
   - equally among the members of the same generation
   - depending on position, the higher the position the higher the compensation
   - males should be given higher salaries than females
   - depends on the parent

2. Since we have a family business, I expect to be given
   - a position with salary, personal benefits and monthly allowances, benefits that extend to my family, shares of stock
   - a position with salary, personal benefits and monthly allowances, benefits that extend to my family
   - a position with salary, personal benefits and monthly allowances, shares of stock
   - personal benefits and monthly allowances, benefits that extend to my family, shares of stock

3. Family wealth should be distributed as follows:
   - equally among siblings
   - equitably depending on the need of each sibling
   - proportionately depending on the contribution of each sibling to the family
   - depends on the parent

4. So far, I believe that I
   - have gotten a fair share of the family business wealth
   - may have received a little more than the rest and I have no complaints

- may have received a little less than the rest and I have no complaints
- have not gotten my fair share and I feel cheated

5. If there is injustice, I will
    - accept it as the will of the elders
    - complain about it
    - fight for it but will stop if it will mean destroying family harmony
    - fight for it even if it means destroying family harmony

6. In the present situation, I feel that
    - my siblings and I are content with how the family business wealth has been distributed
    - my siblings are not content with the distribution and are resentful
    - I am not content with the distribution and I am resentful
    - my siblings and I are not content with how the family business wealth has been distributed, and we are all resentful

7. In the present situation, I feel
    - there is no struggle to change how family business wealth is shared
    - there is a silent struggle to equalize perceived inequities in wealth distribution
    - there is a vocal struggle to equalize
    - it is a hopeless case

8. Currently,
    - the family is as close as when my parents were around
    - the family is close but not as close
    - there are family factions
    - the family has drifted apart

9. I can describe family meetings as
    - relaxed and fun
    - cautious and uncomfortable
    - very tense and controlled
    - adversarial

10. When we were growing up, my parents emphasized that
    - all of us had to work in the family business, regardless of qualification
    - anyone of us could work for the family business
    - we had to be qualified to work in the family business
    - only selected family members could work in the family business

11. I grew up in an environment where
    - my parents were like friends
    - my parents were more, lenient but strict
    - my parents were more strict but lenient
    - my parents were very strict and controlling

12. While growing up, if I were in trouble, my parents would normally
    - solve the problem for me
    - help me solve the problem
    - listen to me and allow me to solve it on my own
    - leave me alone

13. When my siblings and I were growing up,
    - each of us received the same allowance
    - each of us received allowances depending on our age
    - each of us had to do family chores to earn our allowance
    - we received no allowance

14. When I was growing up, my parents would
    - applaud me for a task because I was good at it
    - applaud me for a task even if I was not good at it
    - not applaud me even if I was good at it
    - not applaud me because I was bad at it

15. I believe that
    - I was the favorite child
    - I was one of the favorite children
    - My sibling was the favorite child
    - I was the black sheep

16. I want my children to
    - work in the family business
    - work elsewhere and then the family business

- work in my business
- do what they want

17. When I am at that point where I have to distribute my wealth, I will do so
    - equally
    - equitably
    - proportionally
    - whatever way I want

How strongly do you agree or disagree with the following statements?
5—very strongly agree, 1—very strongly disagree

1. A sibling who works in the family business should get more than a sibling who does not work in the business.
2. A sibling who is the president/general manager of the family business should receive a higher salary than a sibling holding a different position.
3. A sibling who is mentally or physically incapacitated should be given the same amount as a sibling who is not incapacitated.
4. A sibling who takes care of a parent should get more than a sibling who does not take care of a parent.
5. A sibling with more children should get more than a sibling who is single or has no children.