POLICY BRIEF
AKI RESEARCH GRANTS ON ENTREPRENEURSHIP AND BUSINESS STUDIES
Volume X, No. 1, 2015
ISSN # 2094-3342

De La Salle University
AKI
Angelo King Institute
for Economic and Business Studies

MANAGING EXCESSIVE ENTITLEMENT IN SUPPORT OF FAMILY BUSINESS LONGEVITY

Written by
Maria Andrea L. Santiago
De La Salle University

Family members feel entitled to family wealth because of various reasons. Some claim that they deserve part of the wealth since they are members of the family. Others assert that they earned rights to the wealth through hard work, while still others argue that they deserve part of the family wealth because they are special. When family members do not get what they think they deserve based on their perceptions of entitlement, they declare that it is unfair. This becomes problematic when family members manifest their sense of entitlement in a dysfunctional manner. In a family business, this may result in business demise.

Role of Family Business in the Economy

A considerable proportion of the level and growth of the Philippine national output is accounted for by businesses that are owned and managed by families. In Forbes World's Billionaires 2012, two of the wealthiest people in the Philippines had a combined net worth equivalent to 6% of the entire Philippine economy (Agence France-Presse, 2013). On the other hand, the DTI reports that 99% of all registered businesses in the country are micro, small and medium enterprises (MSMEs). In the Philippines, families manage majority of MSMEs.

Despite the large percentage of family businesses, however, policymakers appear to ignore the family dimension in understanding firm performance. Government units, generally, focus on providing financial assistance to MSMEs and offering programs to enhance technical skills on how to manage the business, as if these are the only contributors to poor firm performance. A closer examination of the causes of poor firm performance, nevertheless, may reveal that it has more to do with the softer side of managing family conflict rather than the technical side of operating the business.

The impact of family business growth in other countries is well appreciated. In the United Kingdom, the State for Business, Innovation and Skills recognized that British taxation laws may need to be revisited to allow ownership transfer without adverse financial impact on the family business (Institute for Family Business, 2011). In Australia (Moores & Moores, 2012), there are proposals to require representation from the family business sector when industry policies are being developed. Moreover, government reports on industry should provide information on family ownership and management.

Ills of Excessive Entitlement

There are management concerns unique to business families. For instance, the compulsion to transfer the business to the next generation is strong, especially for founders. Yet, succession can be an emotional issue, particularly when family members believe that they deserve part of the business as compulsory heirs. As equality disregards the time and effort family members pour into the family business, siblings sometimes contest the equal distribution of wealth mandated by the Philippine inheritance law.

Underlying the concern of many business families is maintaining family harmony as the business grows. From the viewpoint of the founding owner, there is a strong urge to be fair. However, what is "fair" (Feng et al., 2013)? Amit and Perl (2012) report that family resources are usually distributed equally among family members. The next prevalent form is equitable distribution, whereby resources are distributed among family members based on actions, inputs, or performance. Another form of resource distribution is determined by the financial need of individual family members.

A family member who has large financial obligations, regardless of how the obligations were incurred, expects to receive more of the family resources. However, a family member who puts in more work will also expect to receive more. A third family member may insist that family resources be distributed equally regardless of circumstance. All three family members feel that they are entitled to the family wealth, but the manner in which the assets should be distributed varies. Since not all will receive the benefits that they feel they deserve, those who do not receive the presumed "just" amount will claim that they are treated unfairly (Huseman, Hatfield, & Miles, 1987).

Coming from the perspective of fairness, family members with excessive entitlement attitudes will take an offensive stance in advancing their privileged status; whereas family members who realistically earned their entitlements will work toward defending that privilege from those who try to take it away. Business families that are unable to work through the entitlement attitude of its members 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 work through entitlement mentality are able to focus the family's efforts on addressing business issues. This increases the chance of business sustainability.

Managing Excessive Entitlement

There is no problem when family members who feel that they are entitled to part of the family wealth make positive contributions to the management of the family firm. It is the destructive type of entitlement that bear down on the sustainability of the business. Family members who take more than they give, as well as those who expect to receive equal to, or more than another, by virtue of their family name, do injustice to the vision of the founder. Instead of growing the family business to provide for future generations, the jockeying for perceived entitlements may divert attention away from the business.

While individuals may be born to wealth and therefore feel privileged, Hughes (2008) posits 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 by granting themselves certain privileges because they own the business or even by expecting that their children work in the family business for little or no pay (Eddy, 2006; Frowine, 2003). They may also be overprotecting or over-parenting their children as well as using family wealth as a carrot and stick. These examples of parenting styles may nurture a feeling among the next generation that they are extra special, which fosters a dependency attitude and strengthens the notion that they are entitled to special treatment because of "who they are" rather than "what they have accomplished" (Brown & Jaffe, 2011; Givertz & Segrin, 2012; Segrin, Woszidlo, Givertz, Bauer, & Murphy, 2012).

For Philippine family businesses, the entitlement attitude can be held in check when children are brought up "to work for their keep." This means children are raised not to expect their parents to provide frivolous wants but, instead, to rely on their parents for basic needs that enable them to develop as adults who appreciate the value of hard work. The reality, however, is that parents normally want the best for their children and will naturally allow them to enjoy the fruits of their hard work. Consequently, it takes a strong resolve to balance this innate tendency against the desire to rear children who will grow up to become responsible stewards of the family wealth (Jaffe & Brown, 2009). In the end, this may be the true equitable solution.

Policy Implications

The study of the effect of entitlement mentality in the family business is important to understand because it results in conflict that, in turn, affects business longevity. When families are used to a standard of living provided by the family business, it is natural for them to expect that the business will continue to provide for their needs and luxuries. In fact, they may want even more. Anything that threatens the perceived lifestyle that they deserve, including actions taken by their siblings and other family members, becomes a source of conflict. If not addressed to the satisfaction of all, the conflict can impede business growth.

The failure to recognize unique issues of business families such as perceptions of fairness leads policy makers to believe that business longevity is all about access to financial resources or business environment. While not negating the important role of structural support, there is a need to pay attention to the management of family dynamics. Fortunately, the education sector recognizes that family businesses are distinct. Indeed, the Department of Education recommended the inclusion of family business management as a subset of the Organization and Management course required of senior high school students in the Accountancy, Business, and Management track (Department of Education, 2013). The Commission on Higher Education also suggested the offering of family business management as an elective course for students taking a bachelor's degree in entrepreneurship (Commission on Higher Education, 2005). These initiatives are steps in the right direction but they need complementation to ensure that matters particular to family businesses are discussed.

The Family Business sector is more than MSMEs or women-led businesses. Focusing on the technical aspects of entrepreneurship and family business disregards what could be a significant reason for business demise. Attention is needed on the human aspects of managing a family business, an area that is currently neglected. Government can tie-up with academics, who are in the forefront of family business management, to develop programs that would help business families cope with the unique challenges of family dynamics.

Evidently, research is also needed. Family business management will gain greater awareness if there is more public funding for research in the field. In countries like the United States, United Kingdom, and Australia, annual surveys are conducted to map family firm performance and to document pressing problems that confront business families.

References

Agence France-Presse. (2013). Philippine's elite swallow country's new wealth. Retrieved from http://business.inquirer.net/110413/philippines-elite-swallow-countrys-new-wealth on November 15, 2013.

Amit, R. & Perl, R. (2012). 2012 Family governance report: Sources and outcomes of family conflict. Retrieved from http://wgfa.wharton.upenn.edu/documents/WGFA_2012_Family_Governance_Report_July_12_2012.pdfon June 9, 2014.

Brown, F. & Jaffe, D. (2011). Overcoming entitlement and raising responsible next generation family members. *The Journal of Wealth Management, 13*(4), 28-33.

Commission on Higher Education. (2005). Minimum Curriculum Requirements for Bachelor of Science in Entrepreneurship (BS Entrep). *CHED Memorandum Order 17 Series of 2005*. Retrieved from http://www.ched.gov.ph/wp-content/uploads/2013/07/CMO-No.17-s2005.pdf

Cooper, O. (2012). *Entitlement mentality: What created it?* Retrieved from http://ezinearticles.com/?Entitlement-Mentality:-What-Created-It?&id=6979443on June 9, 2014.

Department of Education. (2013). *K to 12 Senior High School ABM Specialized Subject – Organization and Management*. Retrieved from http://www.deped.gov.ph/sites/default/files/ABM_Organization%20and%20Management%20CG_4.pdf

Eddy, P. (2006). *A different perspective on combating entitlement mentality.* Retrieved from http://www.sddt.com/Commentary/article.cfm?Commentary_ID=85&SourceCode=20061213tbi#.U5WUxvmSySo on June 9, 2014.

Feng, C., Luo, Y., Gu, R., Broster, L., Shen, X., Tian, T., Luo, Y.J., & Krueger F. (2013). The flexible fairness: Equality, earned entitlement, and self-interest. *Plos One, 8*(9).

Frowine, S. (2003).*Is entitlement mentality threatening your company?* Retrieved from http://www.bizjournals.com/charlotte/stories/2003/07/07/smallb5.htmlon June 09, 2014.

Givertz. M. & Segrin, C. (2012).The association between overinvolved parenting and young adults' self-efficacy, psychological entitlement, and family communication. *Communication Research,* 1-24. Pre-published August 20, 2012.doi: 10.1177/0093650212456392

Hughes, J. (2008). The path of altruism: A reflection on the nature of a gift and its consequences in leading to entitlement or enhancement. *The Journal of Wealth Management, 11*(3), 14-20.

Huseman, R., Hatfield, J. & Miles, W. (1987). A new perspective on equity theory: The equity sensitivity construct. *Academy of Management Review, 12*(2), 222-234.

Institute for Family Business. (November 2011). The UK family business sector: Working to grow the UK economy. Retrieved from http://www.ifb.org.uk/media/44219/theukfamilybusinesssectorreportnov2011_final.pdf.

Jaffe, D. & Brown, F. (2009). From entitlement to stewardship: How a prosperous family can prepare the next generation. *The Journal of Wealth Management, 11*(4), 11-28.

Moores, A. & Moores, K. (2012). *Family Business*. A report to the Parliamentary Joint Committee on Corporations and Financial Services, Parliament of Australia.

Segrin, C., Woszidlo, A., Givertz, M., Bauer, A., & Murphy, M. (2012).The association between overparenting, parent-child communication, and entitlement and adaptive traits in adult children. *Family Relations, 61*(2), 237-252. doi: 10.1111/j.1741-3729.2011.00689.x

CONTACT INFORMATION

DLSU - Angelo King Institute for Economic and Business Studies (DSLU-AKI)
Room 223, St. La Salle Hall
2401 Taft Avenue
1004 Manila

Angelo King International Center
Corner of Arellano Avenue and Estrada Street
1004 Manila

+63-2-524-4611 loc. 287,
+63-2-524-5333, +63-2-5245347 (Fax)
http://aki.dlsu.edu.ph

This publication is based on a study under the AKI Research Grants on Entrepreneurship and Business Studies