Stress of Family Business

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Today we cannot think of a business without stress. Family businesses have an extra element of stress. This is due to peculiar character of the family business. Based on his experience, as a research scholar, the author lists the elements of the stress and how to handle these.

What is stress? It is such a subjective phenomenon that defies definition. The term stress we use these days was coined by Hans Selye in 1936, who defined it as "the non specific response of the body to any demand for change". Selye had noted in numerous experiments that laboratory animals subjected to acute but different noxious physical and emotional stimuli (blare light, deafening noise, extremes of heat and cold, perpetual frustration) all exhibited the same pathologic changes of stomach ulcerations, shrinkage of lymphoid tissue and enlargement of the adrenals. He later demonstrated that persistent stress could cause theses animals develop various diseases similar to those seen in humans, such as heart attacks, strokes, kidney diseases and rheumatoid arthritis. At that time, it was believed that most of the diseases were caused by specific but different pathogens. Tuberculosis was due to the tubercle bacillus, anthrax by anthrax bacillus, syphilis by a spirochete, etc. What Selye proposed was just the opposite, namely that many different insults could cause the same disease, not only in animals, but in humans also.

Stress has been viewed in the literature of psychology as being both a benefit (Haan 1993) and a detriment to the lives of individuals (Holt, 1993; Katkin, Dermit and Wine, 1993; Mandler, 1993; Shuval, 1993; Stoyva and Carlson, 1993.) The stress literature makes an interesting study, having a large number of cases on stress and a large variety of types of stress and what are our reaction to the stress, to same stress at different times, we react differently, makes it a very interesting study for research. "Put in common-sense terms, the basic proposition of the whole field of occupational stress might be expresses thus: some aspects of many kinds of work have bad effects on most people under certain circumstances" (Holt,1993, p.344).

Haan (1993) combines the definition offered by Paykel, Prusoff, and Ulhenhuth (1971)- whatever upsets people-with the definition offered by Holmes and Rahe (1967)-whatever requires people to adjust. This combination kneads Haan to offer the following description concerning stress.

In sum, stress is either a bad event or good event that did not come about; its meanings are commonly understood even though some people's histories may be especially vulnerable to certain kinds of stress. Contrasting values about the best way to live-invulnerability or reactivity-permeate stress research. Finally, stress does not invariably lead to deterioration. It may facilitate growth by tempering arrogance and by enhancing our tenderness toward ourselves and others. (p.259)

Other definitions of stress direct more attention toward its effect on individuals. Mandler (1993) suggests that stress is concerned mainly with the relationship between automatic (sympathetic) arousal and performance. He believes it is the perceived experience of stress that determines its effects on processes such as thought and memory; that it is the perception of arousal, as well as the preoccupation with the stressing occasion, that interferes with continuous conscious processing. Shuval (1993) uses a description by House (1974) as the basis of her definition of stress: when an individual confronts a situation where his or her usual modes of behaviour are insufficient and the consequences of not adapting, are serious.

This description leads Shuval to conclude the following:

In sum, stress is said to exist to the extent that an individual defines a salient situation as disturbing and is unable to recruit effective coping mechanisms to remove or reduce the disturbance. Two simultaneous conditions are necessary for stress to be present or to increase: a subjective definition of a situation as disturbing and an inability- for whatever reason-to cope with the condition. (p.647)

Finally, Stoyva and Carlson (1993) combine the definitions of Fisher (1984), Frankenhaeuser (1983), and Goldstein (1990) to define stress as " a situation in which the challenges or threats facing the individual exceed his or her estimated coping resources. The individual perceives a gap between the challenge and the physical psychological resources, he or she judges to be available. The perception of this discrepancy sets off a coordinated pattern of psychological, behavioural, and physiological reactions" (p.729).

EFFECTS OF WORK STRESS

The effects of the individual's reaction to stress are the undesirable consequences (dependent variable) described in the occupational stress research paradigm previously discussed. These undesirable consequences have been found to include the following (Holt, 1993):

Specific studies have found stress overload to result in increases in blood pressure, anxiety, peptic ulcers, and loss of appetite, insomnia, irritability, and depression (Manning & Curtis, 1988). Lower job satisfaction and higher job-related tension have been found to be related to job-role conflict and job-role ambiguity (Glowinkowsi & Copper, 1986).

Finally, stress has been found to play a role in the development of burnout. Burnout is a condition that develops over time and is characterized by emotional exhaustion and negative attitudes (Kreitner & Kinick, 1992). These negative attitudes can include boredom, discontent, cynicism, inadequacy, and failure. Burnout usually occurs when a person experiences physical, psychological, or spiritual fatigue and is no longer able to cope with stress faced on a regular basis (Manning & Curtis, 1988). While definitions of burnout may vary, and its manifestation within the individual may also vary, burnout is seen most often in the individual who was originally highly motivated and committed to his/her job or career.

"Individual who enter a profession (e.g., nursing or counselling) with a cynical attitude are unlikely to burnout; but those with a strong desire to give of themselves and who feel helpful, excited and idealistic are susceptible to the most severe burnout" (Pines, 1993, p.386).

FAMILY BUSINESS

Research in the area of family owned business is important for a variety of reasons. Since the research in the area is not very old, there is no unanimity on the definition of the family owned business. A survey of 226 articles, in 32 major journals, in the family business literature (Chriman, Chua & Sharma, 1966) found thirty four different definitions of family owned business. However almost all the definitions had one common factor, about degree of ownership?

According to Fiegener, Brown, Price and File (1994), the family-owned business is a firm, that is, both family owned and managed. Continuing with this view on ownership, Pratt and Davis (1986) define the family owned business as business in which two or more extended family members influence the direction of the business through exercise of kinship ties, management roles, or ownership rights.

STRESS OF FAMILY BUSINESS

In addition to normal business stress, family business has many additional stresses. Following are the main reasons of stress in the family business:

i.   Succession planning.

ii.   Roles and responsibility of the members.

iii.   Treatment of family and non-family members.

I.   SUCCESSION PLANNING

One of the main reasons of more stress is problem of succession. The appointment of a successor is the most complex and turning point in the life span of a family business, because it not only involves money, it involves relations and emotions. There are a number of situations where the selection of a successor becomes very stressful for the first generation entrepreneur. In certain situations there may not be an eligible successor or more than one claimant of the crown.

For an effective and painless succession, following steps have proved to be very effective:-

a.   The succession planning has to be started at least eight to ten years before the actual event, if time is available.

b.   To be a success, the discussion must start at the dinning table, with the whole family.

c.   The Indian mythological rule that the eldest son runs the show has to be given go by and strength of each member is to be recognised.

d.   The founder member has to clearly identify the role of each member and duties are to be assigned to the members accordingly.

e.   The mostly followed rule, everyone gets an equal share in the property, should also be given go by and shares are to be decided based on interest in the business and share

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of responsibility shouldered by each member be sole criteria of transferring ownership.

f. Another factor, which is very important for a successful succession is, training of the successor with the founder member. To be successful, the successor must spend one to two years with the founder member, to understand the intricacies of the business process and decision making   process. We have a live example of Cyrus Pallonji Mistry, who was chosen as a successor to Ratan Tata, and was under training of Mr. Tata for about a year.

g. It is also very important that the entrepreneur avails the expert advice of the various professional in the field of transfer of business, such as lawyer, chartered accountants etc.

II.   DEFINING ROLES & RESPONSIBILITIES OF FAMILY MEMBERS

In certain businesses, role of the members are not defined clearly, and the roles of more than two, overlap, which creates stress for the members involved.

To avoid stress, it is essential for the family business, to allocate clear roles and responsibilities of the each members of the family. The feeling of belongingness to the family business is essential for the success of the business. It is natural to have the feeling of 'my business' or it is 'our businesses. Allocation of the job responsibility among the family members is important, or the situation turns out to be, "everyone has right and no one has responsibility". Job specifications prevent every one form jumping in to handle the problem or no one owns the problem.

Another problem which gets automatically killed by specific job allocation is overpayment of salaries to family members, which also causes lot of stress among the family members. The founder generally pampers the next generation by paying them more than their market value or every one equally. Both the situations are harmful for the business. The longer it persists, more difficult it will be to set it right.

The 'pay as per responsibility', also ensures that unqualified relatives are not hired. To survive in business and also do some charity, the way out is to get the family members trained and place them in job, they are capable to handle, based on their qualification.

III.   TREATMENT TO FAMILY AND NON FAMILY EMPLOYEES.

The highest grade of stress results from treatment given to family members and staff members who are not members of the family. In family business, which grows from small business, run by founder, towards a medium sized business, basking on its own success ignores or gives lesser treatment to the outside employees, as compared to family members. Two classes of employees are created in the business, family and non family. Special favours are given to family members and family friends, they are promoted out of turn, and their failures are either ignored or linked to work of non family employees. This behaviour of the founder members creates two classes of the employees, family and non family, thereby demotivating the non family employees.

Like non family employee, every family member should be given a specific job, a designation and like any other non family workers and should be put to annual reviews. The rewards and promotions should be linked to performance and no credit for the family connection.

To conclude, the family business should have a clear and robust systems on the key sources of stress i.e. Succession planning, roles and responsibilities of the family members, and fair policy for treatment of family and non family members.

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