

The Status Effect: How Ego Plays Out in Family Firms

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The family owned business is a common structure found around the world that provides successful commerce and wealth for those communities in which they live and work but also presents an additional level of complexity for the family to manage. Some handle the challenge of integrating family and business well while others become undone by chronic conflicts. While there are many different factors that contribute to any given family business conflict, we find that helping families better understand the sources of tension in both their family and work systems can give them more choices to better manage those tensions. With that in mind, we want to explore some insights from the world of neuroscience that speak to “drivers of the brain” that likely play a role in both successful and less successful family business dynamics.

Recent research based in the neuroscience of how the brain works has clearly shown that humans have the ability to change how they think and behave in ways that, in turn, change the brain itself. “We can use our mind to change our brain, develop our mindset and create new options for thinking, performing and relating,” wrote Egan and Lahl^[1] in 2012. This is important evidence about our capacity to change. Although research in the neurosciences has not specifically been applied to the world of family business, the broad

findings of these studies may help enterprising families better understand their business complexities, while offering some solutions for addressing the conflicts so commonly experienced.

One of the interesting discoveries in the neurosciences is that our brain has five key drivers or needs that include status, autonomy, certainty, fairness and relatedness. David Rock, author of “Your Brain At Work” suggests that these are the guiding principles for our brain^[2]. While each of these drivers has implications for family businesses, the first of these key drivers—status—may provide insight into how some family firms work and what can drive some conflicts in them.

According to Rock, status refers to the rank or position an individual holds in the social groups to which she or he belongs^[3]. People who hold higher status positions within the various social groups in which they live/work, such as a business, are shown to have better health and greater well-being, as well as live longer^[4].

Interestingly, while people naturally strive to climb the corporate ladder, a single focus to do so is often frowned upon by society. We are likely to view that kind of single focus as a selfish need to have our ego validated, sometimes at the expense of other people’s well-being. When used from this point of view, “ego” is

thought of as one of the more negative parts of human behavior, labeling these individuals as egotistical, vain, selfish, narcissistic, etc. Unfortunately, the impact of these labels is that we shut down our ability to think and speak openly about what otherwise are normal feelings and needs in ourselves, and others.

As a key organizing principle of the human brain^[3], status and its impacts on us may be even more influential in the most basic parts of our closest relationships: The Family. Human beings are driven to seek status, as it is part of our biological hardwiring⁵. While our culture may put a great premium on the individual, we are communal beings and need to feel that our place in our communities is secure and that we are respected, valued and able to make a meaningful contribution to those around us.

In the context of a business-owning family, the dynamics of the family that relate to our individual status needs can quickly escalate. The overlap of family and business can lead to some conflicts that are likely associated with status needs of one or more family members. When a family member experiences a challenge to his or her status needs, the result can be defensiveness and even aggression. For example, the challenge of succession planning in the family business is often made harder by a variety of “status” concerns:

- Business founders often have a high need for status and a high need for control;
- The patriarch may harbor some anxiety about his loss of status in his family and/or community if he is no longer the CEO;
- Other executives may fear their status will diminish with the new generation;
- Electing the appropriate leader (high status role) from a group of siblings—who share a peer like relationship in the family—can confound families and lead to an unwillingness to make the needed choice.

Furthermore, as no one in the next generation necessarily aspires to have the same kind of status as the founder, adapting to a new style of leadership can be a challenge for the entire system. Sibling partnership and cousin ownership groups come with their own

unique set of characters and challenges that may also be affected by status issues. For example, sibling rivalry often starts out as perceptions of uneven favor meted out between brothers and sisters by adult family members (e.g., “mom always liked you best...”). There are other family relationships that often see their fair share of conflict including: husband and wife; mother-in-law and daughter-in-law; and father-son, just to name a few. In almost all of these relationships we can observe tensions that are likely rooted in status needs and challenges that often boil down to who has more ‘pull’ in the system or who is more valued, respected or favored, whether by perception or reality.

These status threats can show up in a family enterprise through a variety of behaviors, including vying for positions of power, disagreements over compensation and title, office size and location, aggressively asserting personal influence over direction, pushing transition discussions and generational transfers. In every relationship, status challenges exist as there is a natural desire to be the stronger voice based on the brain’s status need. Marmot in his longitudinal research of the hierarchy in the civil service calls this need the “status syndrome”^[4].

Leaders have their status challenged continuously in a family enterprise in small and sizeable ways. For example, their ideas and decisions may be routinely disputed or opposed (small) or a sibling or cousin may want to remove them from their position for not achieving results (large). Both family and non-family leaders need to be prepared for these challenges and they need to manage their own status needs in response to these challenges.

Defensive behaviors often follow when an individual’s status is being threatened or ignored⁶. These might show up as a lack of communication, refusal (overt and covert) to share information or discuss business decisions, refusal to be objective about leadership capabilities, using aggressive and condescending language, triangulation and other similar responses. Interestingly these poorer behaviors can be demonstrated by both those who have high and lower status rankings as a way of coping with the imbalance. While these behaviors are likely tied to habits learned early in life, they tend to be counterproductive later in life. The bottom line is

that attempting to strongly assert or challenge status in the family business system will tend to have negative and unnecessary impacts on the quality of relationships among family members and in the business.

Although family firms are fraught with status challenges, they also provide opportunities for fulfilling our legitimate need for status. By shifting our focus and thinking from status “threats” to status “needs,” the complexities and potential conflicts among family members can be managed more effectively. By understanding that our need for status is natural, we can better understand, accept and manage this need, with hopes of improving the quality of relationships between family members. When viewed through this lens, family members have basic status needs that show up in the form of respect, capability, influence and authority. The challenge is how to help families create ways to identify and address these status needs so that different individual needs can be met, while simultaneously allowing the family and business to function in an effective and healthy manner.

^[1]Lahl, S. & Egan, T. “Bridging the Complexity Gap: Leading Effectively in a VUCA World.” The Graziadio Business Report, Volume 15, Issue 3, 2012.

^[2]Rock, David. “Your brain at work: Strategies for overcoming distractions, regaining focus and working smarter all day long.” Harper Collins, New York, N.Y., 2009

^[3]Rock, David. “Quiet leadership: Six steps to transforming performance at work.” Harper Collins, New York, N.Y., 2006

^[4]Marmot, M. “The status syndrome: How social standing affects our health and longevity.” Henry Holt & Company, New York, N.Y., 2004.

^[5]Barnum, C.J., Blandino, P. Jr., & Deak, T. “Social status modulates basal IL-1 concentrations in the hypothalamus of pair-housed rats and influences certain features of stress reactivity.” Brain Behaviour Immunity, May 22, 2008. (4):517-27.

^[6]Chiao, J. Y., Bordeaux, A. R., Ambady, N. “ Mental Representations of Social Status.” Cognition, 93, 49-57. 2003.



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