



Thunderbird Professor Identifies 13 Family Business Pitfalls

New edition of "Family Business" illustrates how to achieve sustained growth and continuity through generations

(GLENDALE, Ariz.) Sept. 13, 2013 – The newest edition of [Family Business](#) by Thunderbird School of Global Management Professor Ernesto Poza and Mary S. Daugherty points to 13 governance pitfalls that can derail family businesses before the baton passes to the second or third generation. Successful organizations must develop strategies to navigate the following challenges:

- 1. Nepotism:** A family-first attitude in selecting managers and employees can take a toll on any family enterprise that falls into this trap. When last name rather than merit drive the hiring process, morale and professionalism suffer.
- 2. Loss of family identity and values:** Family values, family legacy and the renewed sense of purpose brought on by a multigenerational family vision are the anchors of an enterprising family's continuity plan. But these often erode as families grow in numbers and wealth.
- 3. Family conflicts:** Speed is a competitive advantage inherent in family firms due to the overlap between ownership and management. But in later generations, a family mired in conflict can lose its nimbleness.
- 4. Belief that fair means equal:** Parents love all their children equally (or at least they try). Unfortunately, an emphasis on equality can lead well-meaning founders to transfer successful businesses to siblings who are unprepared to govern. Wiser parents understand that not all children want the same things for their future.
- 5. Unwillingness to let go:** Family business CEOs tend to stay in office much longer than their counterparts at nonfamily businesses. Although sometimes an advantage, this can create problems when a family CEO grows out of touch with market changes.
- 6. Entitlement culture:** Another challenge from wealth and enterprise to multigenerational families is the rise of an entitlement culture, an unsustainable culture of acquisition and consumption.

7. Dilution of wealth: Besides the erosion that may result from the entitlement culture and taxes, distributions and the breakup of the business can limit a family's access to capital for investments and acquisitions.

8. Erosion of entrepreneurship: Increased bureaucracy and regulations can mean more meetings, more memos and less risk-taking as family businesses grow.

9. Insufficient professionalism: No family has a monopoly on the knowledge and skills needed to run a successful business. Thus, family firms must work to grow the professionalism of their family employees while also recruiting nonfamily talent.

10. Lack of transparency: Many family firms resist the call for greater transparency, which can prevent investors and even boards of directors and from holding top management accountable for results.

11. Lack of oversight: Complacency, resistance to change and other problems can result when family firms fail to establish independent boards and other governance structures.

12. Lack of boundaries: Family businesses must maintain a proper balance between the family, the ownership and the management. Infractions across boundaries can erode a professional culture.

13. Altruism: Family members look out for each other. But this tendency can lead to decisions that are economically irrational.

[*Family Business*](#) is available at Amazon.com and other booksellers. The book provides the next generation of family business owners with the knowledge and skills needed for the successful management and leadership of the enterprise. With an emphasis on leadership and positioning for the future, the book illustrates how the family enterprise can achieve sustained growth and continuity through generations.

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About Thunderbird School of Global Management

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About Ernesto Poza

[Ernesto Poza](#) is a professor for the Global Entrepreneurship and Family Enterprise at the Thunderbird School of Global Management. His research interests are in the areas of family business continuity, growing the family-led business, governance of family business, and family culture.