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Will Your In-Laws Help or Hurt Your Family Business?

Marco Mismetti (Free University of Bozen-Bolzano)
Emanuela Rondi (Università degli Studi di Bergamo)
Cristina Bettinelli (University of Bergamo)

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We've seen the remarkable impact of in-laws on famous family businesses, for better or worse. Examples include the infamous Gucci family feud between Maurizio Gucci and his wife Patrizia Reggiani, or the marriages of Lady Diana Spencer and Megan Markle into the UK royal family, which the royals themselves call "The Firm." (https://time.com/5945032/what-is-the-firm-royal-family/) Lesser-known family business owners and managers experience this too, and they need to effectively manage dynamics within the family that may spill over into the business. It's important to look at the significant influence that in-laws can have on the family business when they join the family.

While many have studied how involving non-family members can affect the family business, few have looked specifically at in-laws: men and women who marry into the family and have varying degrees of involvement with the firm. Our research embraced family systems theory to reflect upon how the entry of an in-law into the family influences strategic changes in the family business.

From our research, a picture emerged of the kinds of practices and leadership that help family businesses minimize harmful interactions and benefit from the new perspectives that in-laws can bring.

Two Intertwined Systems

Family businesses consist of two intertwined systems: the family system and the business system. Sometimes they see things very differently; for example, the family system may focus on treating everyone equally while the business system may prioritize who is best for the job. Yet, these systems are in constant communication with each other, and interactions, events or changes occurring in one system can influence the other system. Because the family structure changes when an in-law enters the family system, the interplay between the two systems may also change.

Family business owners, managers and advisors should understand the powerful, yet often silent, role of in-laws (and other external family members). These non-blood relatives can act as catalysts for change within the family business and affect its strategic decisions, even if they're not involved day-to-day. By changing the equilibrium between the family and business systems, in-laws have the potential to either contribute positively to the business' prosperity or become a source of disruption. Our research sought to shed light on how the entry of an in-law in the family influences the family business system. We propose a model that acknowledges the effect of emotions and communication in the family and business systems on family business conflicts and strategic change.

The Crucial Role of Communication

Family members and in-laws come from different family backgrounds, with different ways of communicating and different attitudes about values, fairness, and money. Effective communication is always essential in managing family businesses, and especially so when a new family member joins from the outside, for instance through marriage. It is crucial to understand that communication is a cycle that often involves differences in expectations and emotions. Moreover, family members communicate not only through words but also through non-verbal cues, body language, and behavior. Acknowledging these differences helps family members navigate the complexities of their interactions and build stronger relationships.

Creating an open and supportive communication environment -- where all family members feel heard, respected, and encouraged to express their opinions -- is vital for maintaining healthy family business dynamics and shaping the permeability of the boundaries between the family and business systems. The family's leadership should encourage family members to foster dialogue, proactive feedback and active listening. Both longtime family members and newcomers should receive the same onboarding and training when they enter the business. This will help to establish a shared understanding and trust among family members, especially crucial when the in-law enters the family system. Transparent and open communication channels foster trust and cooperation, allowing conflicts to be addressed constructively and promoting harmonious relationships within the family business.

Moderate the Impact of Emotions on Family Business Dynamics

Emotions are integral to human interactions, with significant impact on family dynamics and business outcomes. Emotions can be both positive and negative, and they have the power to shape individuals' attitudes, behaviors, and decision-making processes. When an in-law enters the picture and becomes part of the family, blood relatives can become either more touchy or more expansive. Their sense of comfort from the wealth created by the business may feel threatened, and emotions such as anger, resentment, and worry can lead to conflicts or disagreements. On the other hand, they may feel positive emotions like love, pride, and joy, which can foster a sense of unity and collaboration.

This is especially keen when the successor to the family business gets married. The successor not only inherits the business but may be establishing his or her own family unit, which may lead to a gradual distancing from the family of origin and a decreased level of involvement or emotional attachment to the extended family system. As the social structure of the family is changed, the in-laws bring new expectations and meanings within the system, which may reverberate on the family business system, triggering potential conflict in the family business leadership team.

Through our research, we've seen that when family members and extended family members communicate proactively, transparently, and openly, it may generate positive emotions and keep everyone's expectations aligned. With such a positive approach, rather than being threatening, the in-law can help family business leaders see things in a new way, and indirectly contribute to the firm's strategic change.

Seeing Conflict as a Catalyst for Change

The presence of in-laws can bring different viewpoints and ideas, as well as introduce new resources. They might challenge the status quo, increase the diversity of opinions, and indirectly stimulate beneficial strategic change. The entry of in-laws creates a new family of procreation with the heir, which might spur the cultivation of different values. Such change in the family system might stir conflicts among the family firm's top leaders over tasks, processes, and relationships. While this can be detrimental, it can also be an opportunity for growth and positive change. We saw in our research that the outcome of these top-level conflicts may lead to strategic change. Indeed, conflict arising from different expectations, responsibilities, and novel ideas and perspectives introduced by the in-law within the family can trigger strategic decisions that lead to firm innovation. Family members who engaged with the in-law through proactive communication reaped strategic benefits from the conflict and minimized personal emotional animosities. This paid off for the business and strengthened the family bonds.

Conclusion

The conventional structure of a family business can be disrupted when external members such as in-laws enter the family, potentially influencing the business in positive or negative ways. To effectively address the complexities that arise from integrating in-laws into the family system, it is essential to prioritize effective communication (proactive, transparent, and open communication), encourage active listening, align expectations, proactively manage emotions and conflicts, and foster a culture that embraces change. By acknowledging and embracing the unique challenges and opportunities brought by in-law entry, family members, managers, and advisors can leverage the diverse perspectives, backgrounds, resources, and experiences of all family members to drive strategic change and ensure the long-term success of both the family and the business.

Key Takeaways

Here are our takeaways on how to benefit from the presence of in-laws:

- Foster clear and transparent communication between the business and family groups.
- Consider the change that the entry of an in-law triggers in the creation of a new family group with its own values, communication style, and expectations.

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- See input from in-laws in the family as a fresh insight, not a reason for conflict, that might be relevant for the business.
- Proactively manage family members' emotions.
- Encourage a culture that embraces change.

Explore the Research

Family business system dynamics in the aftermath of in-law entry: A reflection on emotions and strategic change (https://www.sciencedirect.com/science/article/abs/pii/S0024630122000693) , Long Range Planning, September 2022

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