PARADOXES IN A FAMILY BUSINESS

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Abstract: *Attention to the subject of organizational paradoxes has been increasing in the last several years as organizational scholars have extolled the opportunities offered by tensions, contradictions and oppositions in understanding organizations, organizing and the organized. This paper demonstrates the theoretical and empirical value of applying a paradox lens on family businesses that undergo a fundamental process of change by discussing three interrelated paradoxes: the paradox of ownership, the paradox of consultancy and the family business paradox.*

Key words: *family business, paradox, owners, consultants, organizational change.*

1. Introduction

The complex nature of organizational life has led to an abundance of tensions, contradictions and paradoxes in the organizational literature (Putnam, 1986; Lewis, 2000; Stohl & Cheney, 2001; Smith & Lewis, 2011). It seems that there is no need for a fine tooth comb in finding paradoxes in organizations and organizing. This paper adds to the provocative diversity of ironies, contradictions and paradoxes present in organizational life by introducing three types of paradoxes encountered in a case study of a Romanian Fish Company.

Similar to previous research on paradoxes, I consider them to be "contradictory yet interrelated elements" (Smith & Lewis, 2011), or underlying tensions, which are based in interaction (Stohl & Cheney, 2001), reflect back on each other and sometimes trap each other and become a double bind. Paradoxes imply competing goals that undermine each other (Stohl & Cheney, 2001) and sometimes paralyze organizational members.

Unlike such research however, this paper tries to demonstrate that although some organizational paradoxes are constructed and reproduced in local interactions through the use of language and discourses as means to create reality, most organizational paradoxes have historical and cultural roots and can be established, composed, designed and sustained by social, economic and political discourses or ideologies that exist outside organizations.

2. Case and Methodology

The Fish Company, which was born through the privatization of the former state owned County Fish Enterprise, is a middle sized enterprise in Romania. During the last decade,

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the company tried to enlarge its operational basis by adding other divisions tightly connected to its core activity. Presently, the company has three operational divisions: the original fish division, which encompasses 400 ha of lakes where fish are grown, one processing unit and seven directly owned fish stores; the tourism division, which manages three hotels as well as a natural reserve and many annual fish competitions; the construction division, which sells different sorts of sand and gravel used in the construction industry.

In 2010, in the midst of the financial crisis, Fish Company management realized that only the construction division was profitable, even though the majority of the company's assets were placed in the other two divisions. There was a major potential for productivity, revenue and profit increase, but the investments necessary to make the company more efficient were beyond its current reach.

The "Financial Investment Company", the investment fund that helped privatizing and turning the former County Fish Enterprise into Fish Company, advised management to go public, which would provide the necessary cash influx that the company so desperately needed.

In order to be listed, the company needed to "look good" in front of its future investors. Therefore, the owner decided to hire what will end up to be called "a team of mercenaries" whose solely goal was to improve the operations and image of the company during a clearly defined period of two years.

My research endeavor entailed an ethnographic approach based on participant observation during a period of 1.5 years and interviews with both "mercenaries" and members of the family, as this was a family business. The interviews were conducted during my participant observation and after I have exited the company with all the members of the consulting team and most members of the family, depending on their direct contact with and influence on the consulting team. This process resulted in 40 one-hour interviews.

The main focus was on the daily interactions between the consulting team and family members and how these interactions influence the attainment of organizational goals.

3. Research Findings

3.1. The Paradox of Ownership

Fish Company had a sole investor, shareholder and owner who also played the role of general manager. Employees thus called him "Big Fish".

The general *paradox of ownership* has historical roots. After 50 years of communism in Romania, during which everything was state-owned, the 1989 anti-communist revolution brought a new discourse: Democracy. Unlike its western meaning, democracy in Romania was taken to symbolize absolute freedom and the opportunity to become owners again, whether it was owners of houses, lands or companies.

The so called *post-communist* or *transition entrepreneurs* speculated the nebulous 2-3 years that followed the revolution and seized control of key resources that enabled them to start new businesses. "Big Fish" worked as a fish farmer during communism and as a fish farm leader after the revolution. When privatization of state owned companies began, each employee was given a stock certificate, the amount of shares received by each employee varying according to the position occupied in the company.

Like many other mid-level managers in former state-owned companies, "Big Fish" profited from the general need of cash and bought as many stock certificates as he could from his colleagues. Finally, in 1995, "Big Fish" had come to own all the shares and thus the strategic resources of the former County Fish Enterprise and founded "Fish Company". He became what we call in Romanian a "patron", which is a combination between an owner and a manager.

"Patrons" are perceived with ambivalence both outside and inside organizations. On the one hand, "patrons" are perceived as individuals who succeeded in building their own business, but on the other hand, "patrons" are perceived as people who "enslave" employees.

> *I'm a serious person, conscientious, due to the fact that I'm very demanding of myself in whatever I do. I do condone neither my mistakes, nor the mistakes of others. I believe that I am a person that they can count on...I do a good job, on time. Until recently I thought that I am appreciated, but they have proven the contrary...that in fact I am a...I don't know, a small tool that they can use as long as they need and then I'm done. Bye bye!* (IO – not a member of the family)

> *People are treated as slaves. Believe me that this is the feeling. You can't do anything...whatever you'd say, or whatever you'd do has no effect. I realize now that there is no point in saying anything...* (EN – not a member of the family)

As Hofstede (2004) argues, terms like this one ("patron") have their equivalent in all countries, but to understand their meaning one should have considerable cultural and historical insight into local conditions. The manager (Romanian: "director") does not own the business or a part of the business, but sells his or her skills to act on behalf of the owners. Their skills are the result of education, training and experience and signify a high level of competency which was proven time and again in many situations or companies. In contrast, the "patron" is not necessarily competent in running the daily operations of the company and does not necessarily have the experience of running a company at all. Most often in Romania, the "patron" did not even found the company. At best, he worked in that company before buying it, which does not constitute the basis for competency or managerial experience.

The tensions that arise in Fish Company as a result of this role overlap can be portrayed as the *ownership paradox*. This paradox emerges when, in the pursuit of profit, company efficiency, productivity and market success, the "patron" carries out actions that are in opposition or affect the very goals (s)he is trying to accomplish. This paradoxical situation is not designed consciously, nor even intended. The lack of experience, education and training leads to making poor decisions by the manager, which affect the company success sought by the owner, which are one and the same person in this case ("patron").

In this and most family firms, the poor decisions are not limited to daily aspects of organizational functioning (strategic, marketing, financial decisions etc.), but also extend to hiring and promotion policies. Family members are hired in the company not because of their competency, education or experience, but because they are the owner's relatives.

Moreover, they are not given positions in accordance with their knowhow, competencies or abilities, but they are instantly promoted to managerial positions.

A superficial picture of the company can be portrayed by listing a few positions occupied by the owner's family members: the owner was the general manager of the company, his sister was the business development manager, his wife was the manager of one restaurant, his mother and brother-in-law were the managers of a hotel, his god-daughter was the manager of the other hotel and his cousin was the manager of the constructions division. And the list goes on.

Although the "patron" position seems like a contradiction, the added element of interdependence turns it into a paradox (Stohl and Cheney, 2001). Normally, the two roles – owner and manager – are interdependent at some levels since the success of the manager's actions and decisions leads to the success of the owner (profit increase, share value increase, social prestige etc.) and vice-versa. If the manager is successful, the owner(s) is inclined not only to maintain, promote or reward the manager, but also to further invest in the development of the company. If the manager is not successful at managing the company, the owner(s) can and will decide to terminate his/her contract and hire someone more efficient instead.

In this particular case, where the two roles are played by the same person, the owner maintains the same goals (profit increase, share value increase, social prestige), but lacks the capacity and abilities, as a manager, to lead to the fulfillment of these goals, with the added inability to fire the manager. To become more successful as an owner, "Big Fish" should hire a general manager, but this would mean a general loss of control in the company, the inability to hire, maintain and promote his relatives and the failure to have discretionary use of the financial and logistical resources of the company which constitute the essential characteristics of being a "patron".

3.2. The Paradox of Consultancy

When the Financial Investment Company proposed to "Big Fish" to hire a team of consultants to improve the company's activities before listing it on the national stock exchange, "Big Fish" agreed, provided that each consultant on the team accepted a managerial position in the company and would thus become an employee. Each "mercenary" thus occupied a middle management position: cost control manager, fish division manager, production manager, marketing manager, commercial manager etc.

Not only are decisions in general paradoxical, "because they are complexity-reducing mechanisms that create greater complexity for subsequent organizational decision-making" (Cooren *et al.*, 2011), but this particular decision led to a series of paradoxes.

As Kanter (1982) and Mygind (1992) suggest, most organizations eliminate from influential positions the very people whom the organization is supposed to empower. This is what Stohl and Cheney (2001) define as the *design paradox*.

This new organizational design in which outside consultants are hired and must act as inside employees limits their power and autonomy and reduces their influence on the change process they were hired to put in motion.

> *OR: It seemed to me that any new idea was regarded first with suspicion and very attentively analyzed by Big Fish. That's how it seemed...*
> *HM: Why?*

OR: Because we were not on their "team". Because they were already in a routine process. They were...I'm talking here about family members, because they are all related somehow there...and for them, a new guy was regarded from the beginning with suspicion because they were thinking something like "what can he do that we did not think about until now?", which is extremely suspicious, because not everybody in this world has to be smart. Even Einstein said that humanity's greatest illness is not cancer, but stupidity. The same in Fish Company...cancer was not the problem, no way... Maybe I was a little bit too sarcastic, but this is the truth. (OR – consultant)

I was always talking with other employees and I knew their problems. There were always problems of "who is right?", "why are there missing products?". Some of the problems were debatable [...], and some were even raised in meetings... And they told me that we should stop the debates, that we should not encourage lower level employees. But, theoretically, I have never encouraged lower level employees, because I knew how to talk to people and how to get to the bottom of things without telling them that they are right. The debates were only at the top management level...that's it. And they threw back at me the fact that some employees, even middle managers, are only doing what I tell them to do... (LA - consultant)

What "mercenaries" soon discovered was that their work was twofold: on the one hand they had to deal with the company's daily operations and try to make them more efficient and profitable, and, on the other hand, they had to work with the owner's family, overcome their family business mentality and the daily interactional conflicts and tensions.

"Mercenaries" were specialists brought in to make the company more efficient and more profitable. Thus their work was more rational. On the contrary, members of the family were more emotional and their emotions influenced their daily organizational activities.

The interactions between "mercenaries" and the rest of the organization were characterized by the tension between guarding their specialist identity and thus opposing the current status quo and integrating in the company's culture and thus negating their own reasoning, training and knowledge of how things should be done. This identity tension can be characterized as a *belonging paradox* (Smith & Lewis, 2011).

By hiring the team of consultants on managerial positions, "Big Fish" made it clear that consultants are his employees and thus reduced their power and influence on the change process. The struggle with unnatural, cumbersome and calcified routines, rules and procedures led to frustrations. Any attempt to by-pass or short-circuit them in the interest of efficiency and change, any attempt to take individual responsibility or act autonomously – the very reason they were hired for – led to open conflicts with "Big Fish". Therefore, their team effort and impact was largely confined to parameters set by management. In order to gain power and efficacy, consultants had to be loyal, to adhere to the organization, to relinquish some degree of authority and to surrender their autonomy. This resembles a combination of the *responsibility paradox* (Stohl & Cheney,

2001) or the *paradox of the second fiddle* (Murninghan & Conlon, 1991) and the *autonomy paradox* (Stohl & Cheney, 2001).

However, they remained faithful to their mission and maintained a high degree of creativity, a constant sharing of personal experiences and contrasting perspectives even though this led to conflicts and tensions with "Big Fish" and other family members. Acknowledging the basic fact that homogeneity and unity of views limits an organization's change capabilities, consultants presented "Big Fish" and other employees with the necessary divergent views that enabled the organization to change, as much as it did, during the one and a half years spent in the company

3.3. The Family Business Paradox

Family owned organizations seem to play a crucial role in today's global economy as they represent between 65% and 90% of all companies in the world. And even though the mainstream view is that family businesses encompass two complex and conflicting social systems (family/emotion and business/reason), recent research has highlighted the enduring interaction among members (family and business) where the combination of integrated subsystems can be a source of competitive advantage (Habbershon *et al.*, 2003).

The family company becomes a metaphorical model used to manage daily organizational activities, a cultural Discourse that implies reciprocity, cooperation and a high level of trust (Holmer-Nadesan, 1996), elements that constitute the basis of organizing and the organization, but which are often trivial, routinized, unobserved and taken for granted (Samra-Fredericks & Bargiela-Chiappini, 2008). In a family company there are no secrets, there is no silence, employees can speak freely, openly and directly, just like in a family. They can express anything at any time since reciprocity, trust and collaboration to achieve a common goal are a characteristic of this type of organization.

> *I certainly have a voice in this company... I, as opposed to many others, can say that I was free to always say what I was thinking. Especially, and I believe that this is the most important thing, I treat Big Fish as my brother and I am obligated to tell him whatever crosses my mind. Sometimes this can be an advantage, and sometimes not because sometimes you slip, you use the wrong tone or the wrong words or...we are all like that: inside the family you are more permissive than with strangers. I can really say that I can say anything of what I think and feel.* (UO – sister of Big Fish)

But in a family company, not just the relatives should be a part of the family, but also the rest of the employees. The family metaphor is extended to the organizational level, and regular employees guide themselves by the same principles of collaboration, trust and reciprocity, just like the "authentic" family members. This applies to employees that hold both managerial and regular positions.

> *Trust came to mind when you asked me* [who are you as an employee?]. *I think this is what defines me. You can count on me and actually I cannot work anywhere if I cannot trust people and if I am not trusted. And freedom, of course...I have to have the freedom of decision in my department. I am*

where I am [financial manager] *because I was able to surpass all the challenges of this company and because the company can rely on me and because I was able to solve a lot of problems alongside others, not alone. It was a team effort. Nothing gets done when you work alone.* (AR – not a member of the family)

Therefore, trust becomes the main coordination mechanism in the family company. This coordination mechanism is based on shared norms and values that support collective cooperation and collaboration inside the organization (Reed, 2001). Trust becomes the basis for absolute voice that manifests itself implicitly. Employees do not have to continuously report and ask for permission since they enjoy the trust of others, and they need not question everything, since they trust everybody. Autocratic ruling is not necessary due to the collective nature of goals (Holmer-Nadesan, 1996).

This idyllic family metaphor coexisted with a "patriarchal" family model, where participation equals obedience to the autocratic ruling of an absolute leader: "Big Fish". Because "Big Fish" has absolute power as a "patron", employees are transformed into resources or, worst, into a tool, as already mentioned above. The autocratic leadership style, unequal power relations, lack of trust and excessive control completely minimize the "family" concept and employees' voice by generating an uncertain organizational environment.

This "patriarchal" family model led some employees to clearly distinguish between work or "colleagues" and home or "family". Others presented uncertainty regarding their status as a "family" member.

For me, family is a very strong word and a word that has a lot of meaning. To me, family means my mother, my father, my future husband, my brother and so on. Having said all of this, I cannot say that I am a part of a Fish Company family. Yes, I am a part of Fish Company and I always try to improve what I do, to help this company. Nobody can say that I don't do a good job, but family…that is too much! (AN – not a member of the family)

In my former job yes, but here it is not the case, I don't feel part of the family. And I feel that people are talking behind my back…I don't have an actual proof…but I don't invest my soul into this company. Yes, professionally I do my best, I study at home, during the night, but with a limit regarding my personal life. (EI – not a member of the family)

The borders of the "family" become the locus of paradox since they both enable and constrain. The borders are constantly traversed by cultural members, they move temporarily or permanently, they change in time and are strategically and subjectively negotiated by employees. Employees can gain, maintain, lose or regain their family membership according to the moment in time, context or issue. The subjective definition of boundaries implies a constant state of flux which generates uncertainty, lack of safety, transition, and liminality (Martin, 2002).

The simultaneous presence of the idyllic and patriarchal family models leads to a simultaneous inclusion and exclusion of employees, trust and mistrust, voice and silence. The family business model, where a high number of relatives work inside the company

can generate a friendly, open and trustful atmosphere that all the employees can enjoy. Paradoxically, at Fish Company, in trying to build such an atmosphere, Big Fish actually managed to alienate the majority of employees and to create mistrust, silence and conflicts.

4. Conclusions and Discussions

4.1. Implication: What is the Main Source of Paradox?

The environment in which organizations function is so complex, volatile and rapidly changing (Smith & Lewis, 2011; Tracy & Trethewey, 2004), that tensions, inconsistencies, ambivalence, contradictions and paradoxes are the "new normal" status quo in organizations (Putnam, 2015). However, two decades ago, Handy (1994) considered paradox to be a management cliché (Putnam *et al.*, 2016) and that was due to the same volatile and rapidly changing landscape of organizations. During the last 30 years of paradox research, at any point in time, we could sustain, with no doubt in mind, that the present times are the most volatile and rapidly changing. Looking back, the 1990s seem still, clear and easy to manage compared to the rush, the chaos and the unmanageable present times. But paradoxes were just as present in organizational life then as they are now. And I wonder if volatile and rapidly changing organizational landscapes are truly the only and the main cause of tensions, contradictions and paradoxes.

4.2. Implication: How Strong is the Need for Predictability, Rationality and Order?

Traditionally, all forms of disorder, disequilibrium and chaos were converted to order for the organization to function. Nowadays, disorder, paradoxes, contradictions and tensions play a key role in healthy organizational systems (Luscher et al., 2006) as they become a source of energy, innovation, change and resistance to dominant practices (Putnam, 2015).

If tensions, paradoxes and contradictions are the "new normal", and if disorder is seen as a source of organizing and the organization, then we need to develop theories rooted in disorder Putnam (2015). Otherwise these theories would be comforting to us, without offering much insight, because they will endorse an oversimplified view of how the world works.

However, when order was the source of organizing and the organization, the main goal was to achieve order, to apply it, to maintain it and to enhance it for productivity and efficiency. If disorder is the source of (dis)organizing and of the (dis)organization we should want the same: to achieve disorder, to apply it, to maintain it and to enhance it for productivity and efficiency (innovation, creativity, change etc.)!

Why do people need to make choices, respond to, cope with, or manage paradoxical tensions as a routine endeavor in organizational life (Putnam, 2015)? Did people need to respond to, cope with or manage order and normalcy? What seems normal, common and taken for granted does not require a response, coping with or managing of any sorts. It just needs living, enacting and moving forward.

The need for predictability, rationality and order (Ashcraft & Tretheway, 2004) is still strong and organizations still remain organized even though the disorganizing factors

become more numerous, diverse and complex. Therefore, disorder (tensions, contradictions and paradoxes) is not the "new normal" in the sense that organizations become disorganizations, but in the sense that disorganizing factors equal or sometimes surpass organizing factors. But order and organizing elements never disappear, hence the difficulty of "managing" the new organizational reality.

What needs response and management is the "new normal" situation where organizations need disorganization for their own survival. Disorganization (tensions, paradoxes and contradictions), although claimed to be normal, is in fact not believed to be so, neither is its presence in organizations. Both researchers and managers still have idealized visions of how things ought to be (organized) and these things are shown to bear an unclear relationship to observed practices. It is exactly this deep abnormal status quo that leads to new perspectives on responding to paradoxes.

Both ambiguity and paradox offer no comfort to those who long for clarity and this leads to a paradox. On the one hand we need simple prescriptions for managing organizations so as to understand and easily translate them into actual behaviors. On the other hand, the simpler they are, the more they ignore contingencies and state half-truths (Starbuck *et al.*, 1978).

4.3. Final Comments

In this paper I introduced three paradoxes encountered in a case study of a Romanian Fish Company. The first was the *paradox of ownership* which has deep historical and cultural roots in Romania. The "patron" plays two organizational roles, the role of manager and the role of owner, which can be conflicting and leading to paradoxical situations. The second was the *paradox of consultancy* which highlighted identity tensions and paradoxes with deep social and economic roots. The third was the *family business paradox* which showed how organizational discourses and metaphors can trap and paralyze employees into paradoxical situations.

Some paradoxes are born in the interaction between members of the organization through discourse and language use as means to create reality and other paradoxes have historical, social and cultural roots that are enacted by employees. Paradoxical elements do abound in organizations, but this becomes even more pervasive in family type organizations where work relations not only extend outside traditional organizational boundaries, but also imply feelings and emotions that regular employee – employer relationship does not entail. But however filled with tensions, contradictions and paradoxes, organizational life goes on, organizational members adapt to, live with and surpass paradoxes sometimes with ease, and sometimes with difficulties. And sometimes they even choose to exit paradoxical situations in search for better (ideal, but non-existent) organizational realities.

Amid the vast and complex research on paradox, my work attempts to raise some questions about the inner workings of paradoxical phenomena as a way to add complexity and explanatory power and to further illustrate and offer insights into how paradoxes manifest in a certain culture and a certain organization type.

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