

When the Family Business Becomes the Family

Why the most dangerous business problems are often not about money, strategy or succession but about identity

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A family business can survive a bad year.

It can survive a failed product, an awkward hire, even a disastrous investment.

What it struggles to survive is confusion about who people are.

This sounds abstract until you hear the language used inside many family firms.

"He's not commercial."

"She's too emotional."

"He'll never be a leader."

"My brother has always been irresponsible."

"My father cannot let go."

"My daughter isn't interested."

These may sound like observations.

Often, they are something more powerful.

They are identity statements.

And once a family business begins treating descriptions as identities, the business starts behaving as though those identities were facts.

A Mistake Can Climb the Ladder

The psychologist and NLP writer Robert Dilts developed a model in which human experience can be thought about at different levels.

At the bottom is the environment.

Where are we? What is happening around us?

Then comes behaviour.

What are we doing?

Above that are capabilities.

What can we do?

Then beliefs and values.

What do we think matters? What do we believe is possible?

Then identity.

Who am I?

Finally comes the larger system.

What am I part of?

The model is a useful map, not an established law of psychology. Research has not demonstrated that these categories exist as a fixed hierarchy in the mind, nor that changing a higher level necessarily changes everything beneath it. NLP itself has a weak empirical evidence base. But several distinctions the model draws between behaviour, beliefs, identity and the ability to observe our own thoughts resemble processes studied independently in mainstream psychology. So the value of the model here is not that Dilts proved how the mind is organised. It is that his ladder gives us a useful way of asking where a family-business problem has become lodged.

Imagine that the founder's son loses an important customer.

At the level of events, one customer has been lost.

At the level of behaviour, perhaps the son handled the meeting badly.

At the level of capability, perhaps he needs to learn negotiation.

At the level of belief, the family may begin to think he lacks commercial judgement.

Then something dangerous happens.

"He lost a customer" becomes:

"He is no good at business."

The problem has moved from behaviour to identity.

And identity is much harder to change.

Family Firms Remember Too Much

This is one reason family firms can become so sticky.

Ordinary companies have memories.

Family companies have childhoods.

A chief executive in a public company may make a poor decision at the age of 47.

In a family company, someone around the table may still remember that he lost his school blazer in 1986.

Old stories remain available.

The sister who was "always sensible".

The brother who "never finished anything".

The eldest child who "ought to take responsibility".

The youngest who "was always the creative one".

These descriptions may have started as convenient shorthand.

Years later they become job descriptions.

Then expectations.

Then destinies.

A family can begin organising the company around identities formed before any of the people involved were old enough to drive.

Bateson Saw the Problem Differently

Gregory Bateson was interested in something deeper than personality.

He studied how systems learn.

One level of learning involves making a better choice within the existing rules.

Another involves changing the rules by which choices are made.

That distinction matters enormously in family business.

Suppose a brother and sister repeatedly argue over investment.

The family may initially ask:

"How can they communicate better?"

That is one level.

But perhaps the real problem lies elsewhere.

Maybe the family still assumes the elder brother has the final say.

Maybe the sister is expected to challenge him but never defeat him.

Maybe both are acting inside a pattern that nobody has named.

Improving communication within that pattern may achieve very little.

The deeper question is:

“What rule are we obeying without realising that it is a rule?”

That is a much more Batesonian question.

The Business Often Becomes a Theatre for Identity

Family companies make this especially visible because several systems overlap.

You are not simply a director.

You may also be a daughter.

A shareholder.

A sister.

A potential successor.

A beneficiary of a trust.

The person who stayed.

The person who left and came back.

The one Dad trusts.

The one Mum worries about.

All these identities enter the boardroom.

That is why two people can appear to be arguing about machinery while actually arguing about recognition.

A disagreement over capital expenditure may secretly contain:

“You never respect my judgement.”

A succession discussion may contain:

“You have never believed I was good enough.”

A dividend dispute may contain:

“You were always the favourite.”

The visible problem sits at one level.

The emotional meaning sits several levels higher.

“I Failed” Is Not the Same as “I Am a Failure”

This distinction sounds simple.

It is not.

A family member may fail at something.

That is an event.

They may fail repeatedly.

That is a pattern.

They may lack a skill.

That is a capability problem.

They may believe they cannot succeed.

That is a belief.

But none of these logically requires:

"I am a failure."

Yet families make this move all the time.

Worse, they make it for each other.

"You always panic."

"You're just like your mother."

"You're not leadership material."

"He's the technical one."

"She's the people person."

These remarks sound harmless because they are familiar.

But they can freeze a living person into an old description.

And once identity becomes fixed, every new event is interpreted through it.

If the "irresponsible" brother misses one deadline, the family notices.

If he meets twenty deadlines, nobody comments.

The identity filters the evidence.

The Family Business Can Become a Closed Loop

Once an identity is established, it begins shaping behaviour.

Suppose the founder believes:

"My daughter is not really commercial."

He gives her less responsibility.

Because she gets less responsibility, she gains less experience.

Because she has less experience, she makes more mistakes when she is finally given something important.

The founder concludes:

"I knew she wasn't commercial."

The belief has produced the evidence that appears to confirm the belief.

This is one of the most dangerous forms of family-business certainty.

The family thinks it is discovering character.

It may actually be manufacturing it.

The Higher You Go, the More Powerful the Question

A useful way of thinking about family-business problems is to ask which level the problem occupies.

If the office is chaotic, change the environment.

If meetings are poor, change behaviour.

If managers lack skill, develop capability.

If people resist change, examine beliefs.

If someone has become trapped inside a role, examine identity.

And if everyone is fighting to protect separate identities, ask about the larger system.

What are we trying to preserve?

The company?

The family?

The founder's legacy?

The children's freedom?

The wealth?

The name?

The relationships?

Sometimes a family argues because nobody has agreed what the system itself is for.

Then Comes a Stranger Question

Dilts's model eventually arrives at identity.

Who am I?

Then the larger system.

What am I part of?

But there may be another question.

What is aware of all this?

That sounds philosophical.

It is also very practical.

Imagine a board meeting.

A sister thinks:

"My brother is dismissing me again."

That thought may be correct.

But compare it with:

"I notice that I am having the thought that my brother is dismissing me again."

Only a few words have changed.

Psychologically, something important has happened.

The first statement puts her inside the story.

The second gives her somewhere from which to observe it.

She can still challenge him.

She can still be angry.

She can still walk out.

But she now has a little distance from the identity story.

That distance matters.

Psychology Has Several Names for This

Different schools of psychology have arrived at similar ideas.

Mindfulness researchers call one version of it decentring.

Acceptance and Commitment Therapy distinguishes between self-as-content and self-as-context.

Internal Family Systems speaks about becoming less blended with a particular part.

The language differs.

The basic movement is similar.

Instead of:

"I am angry."

There is:

"Anger is present."

Instead of:

"I am useless."

There is:

"I am having the thought that I am useless."

Instead of:

"My brother is the enemy."

There is:

"I notice how quickly I experience my brother as the enemy when this subject arises."

The feeling remains.

But it no longer fills the entire field.

This Matters in Succession

Succession is where these levels collide most violently.

A founder may say:

"My son is not ready."

That sounds like a capability judgement.

But perhaps what he means is:

"If my son is ready, I am no longer needed."

That is an identity problem.

The son may say:

"My father won't let go."

But perhaps beneath that lies:

"If he still does not trust me now, maybe he never will."

Again, identity.

The technical succession plan may be perfectly sensible.

Shares may be transferred.

Tax may be planned.

Governance may be installed.

Yet nothing changes because the emotional system remains organised around older identities.

Founder.

Child.

Favourite.

Rebel.

Protector.

Disappointment.

Successor.

The legal structure changes.

The psychological structure does not.

The Larger System Changes the Question

At identity level, the argument sounds like:

"What do I deserve?"

At system level it becomes:

"What does this family and this business need if both are to remain healthy?"

That does not eliminate individual needs.

It changes the frame.

A father may discover that stepping back is not disappearance.

A daughter may discover that leadership does not require defeating her father.

Siblings may discover that disagreement need not threaten belonging.

Once the unit of attention expands, new solutions become possible.

This was one of Bateson's great insights.

Change the boundary of the system and the problem itself changes.

But Awareness May Not Be the Top of the Ladder

Here the model becomes more interesting.

It is tempting to place awareness above identity and the larger system.

Environment.

Behaviour.

Capability.

Belief.

Identity.

System.

Awareness.

But perhaps that is wrong.

Awareness may not be another rung.

You can be aware of your environment.

You can be aware of your behaviour.

You can be aware of your skills.

You can be aware of your beliefs.

You can even become aware of your identity.

"I notice how strongly I need to be seen as the competent one."

If identity can be observed, then awareness cannot simply be another identity above it.

Perhaps awareness is not on the ladder at all.

Perhaps it is the space in which the ladder appears.

This Is Where Family Business Gets Interesting

Imagine two brothers arguing over whether to sell the company.

One says:

"You only care about money."

The other says:

"You only care about Dad's approval."

They can argue indefinitely at the level of identity.

Or one of them can notice:

"I am very attached to being the one who protects the company."

The other may notice:

"I am very attached to proving that I am not trapped by the family."

Now something has changed.

Neither man has surrendered his position.

But each has become able to observe the identity from which the position arises.

That is a very different negotiation.

The Aim Is Not to Become Detached

None of this means that family members should become emotionless.

A family business without emotion would be a strange thing.

The aim is not detachment.

It is perspective.

You can feel anger without becoming anger.

You can inherit responsibility without becoming responsibility.

You can lead a company without becoming the company.

You can disagree with your brother without turning him into the problem.

You can fail without becoming a failure.

And perhaps most importantly, you can belong to a family without allowing the family's oldest description of you to become your permanent identity.

The Business Is Not the Family

Family firms often say:

"The business is part of the family."

Sometimes this becomes:

"The business is the family."

That is dangerous.

A business can be sold.

A business can fail.

A business can merge.

A business can close.

A family may still remain.

Confusing the two turns commercial disagreement into emotional catastrophe.

If selling the company feels like betraying Grandfather, a transaction is no longer merely a transaction.

If leaving the company means leaving the family, employment becomes captivity.

If becoming chief executive means finally earning parental approval, leadership becomes therapy.

Logical levels have collapsed into one another.

Perhaps the Best Question Is the Simplest

When tension rises in a family company, people usually ask:

Who is right?

Who is wrong?

Who should lead?

Who should own what?

Who should apologise?

Those questions matter.

But another question may occasionally be more useful.

What level are we actually arguing at?

Is this really about behaviour?

Capability?

Belief?

Identity?

Belonging?

Or are we so caught inside the story that nobody can see the system producing it?

And behind even that lies the strangest question of all:

What is aware of this story?

That question will not solve the tax bill.

It will not value the company.

It will not choose the next managing director.

But it may create enough space for a family to do those things without confusing every decision with the meaning of who they are.

And in a family business, that can be the difference between solving a problem and becoming one.