



OPINION

## Lessons learned from the Market Basket conflict

By Thomas D. Davidow, Ed.D.

The Market Basket conflict surfaced in the news last June when Market Basket's Board of Directors fired Arthur T. Demoulis. The customers and non-union employees organized themselves in a way that stunned both the public and organized labor officials. Since then, we have all read about the parties' many failed attempts to come to an agreement. Even the intervention of our governor, with all the power and influence of his office, has not been able to move the parties to resolution.

The source of this dramatic response precedes the board's firing of Arthur T. and lies in the deep division of a family schism that began in the early nineties when Arthur S.'s family discovered that their uncle, Arthur T.'s father, had essentially defrauded them of half the value of this billion-dollar company. The Arthur S. family had a right to feel betrayed. According to "The History of Market Basket" on the company's own website ([mydemoulas.net/history](http://mydemoulas.net/history)), their respective fathers, George and Telemachus ("Mike") Demoulas, had promised each other that they would provide for one another's families if either of them died.

The litigation that ensued was bitter. Accusations of illegal and unethical behavior flew, and some of the professionals who were involved in the fight were admonished and punished by the courts. There is no question that the jury and Judge Lopez ruled fairly: The family had to return the stock and lose their status as majority shareholders. Mike had broken the law.

We don't know why Mike felt justified in excluding his brother's family from the increased equity/value that he would bring to the business after his brother passed away. But we can guess: Frequently, when two siblings share the responsibility for ownership and management in the family business, one sibling plays the dominant role,

which creates problems. There may also be other issues between and among the siblings which create conflict and resentment.

We can also play devil's advocate: Even when siblings get along, although it is reasonable for the deceased sibling's family to be entitled to the inheritance and value of the existing wealth, should those heirs have the right to share in the increased wealth of the surviving siblings as some kind of 'tagalong'? From the perspective of family alone, Michael might have been selfish, but he was not wrong.

Despite the ruling by the jury that Arthur T.'s father was guilty of fraud and the judge's decision to have the Arthur S. family assigned control of the business with a 50.5 percent share, Arthur T. continued to run the business because a sister-in-law on Arthur S.'s side was unhappy with him and voted with Arthur T. One can only imagine Arthur S.'s frustration and resentment. I would guess that he spent all those years figuring out how to make amends with the sister-in-law. As soon as he succeeded, he controlled the majority of the votes and had the board fire Arthur T. forthwith.


Given the strong performance of the business and the extraordinary culture that Arthur T. had built, this decision had nothing to do with what was best for the business and everything to do with Arthur S.'s desire for revenge. The employees knew Arthur S.'s reasons and consequently felt marginalized and devalued. At the same time, my guess (confirmed by recent articles in the *Boston Globe* that released the minutes of Market Basket Board meetings) is that Arthur T. behaved in an extremely provocative way towards Arthur S. and the board.

It is extremely sad to see two generations of the family and probably three (unless this generation can solve its problems) being destroyed. I don't think it is a stretch to say that the Demoulas family, who emigrated from Greece with its proud tradition of family first, would characterize today's problems with Market Basket as its own Greek tragedy. I am sure that the grandparents of Arthur T. and Arthur S. would have chosen to close their original store rather than sell it to two of their sons if they knew what was going to happen as a result of their sons' success.

The irony is that the closeness and values of this presumably once close Greek family are driving the problem. Even as the family is falling apart, their inherent, powerful subconscious need and sense of connection do not let them separate. Their conflict, which is about betrayal, keeps them connected. Given that family is sacred, when a family member commits an act that another family member experiences as betrayal, the resulting emotions/rage can get out of control.

In a family business, where it is impossible to fully separate family from business, underlying family issues (mistrust, anger, revenge) surface in all discussions. Rational means and solutions alone cannot address the power of those emotions since feelings are not rational. What is needed is an interdisciplinary approach that includes professionals with expertise in law and business as well as a professional with an expertise in family dynamics. Unfortunately, however, this family has not chosen to, has not been advised to, or has been unable to address the original source of their wounds/conflict.

My concern is that the financial plan in place under the recent sales agreement may not be able to sustain the corporate benefits and low prices historically offered by Market Basket. In addition, it is unclear whether Arthur T. will be able to effectively work cooperatively with non-family company leaders moving forward.

We wish for the best for the Market Basket employees, suppliers and customers who will be most affected by the recent tumult and hope for a smooth road forward. 

**Thomas D. Davidow**, Ed.D., is founder and principal of family business consulting firm Thomas D. Davidow & Associates. He can be reached at [tom@tdavidow.com](mailto:tom@tdavidow.com) or (617) 739-2868.