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How to Manage Conflict in Family-Owned Businesses

Mom always loved you best... & other workplace squabbles
by Hannah Wolfson
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In any family, there can be awkward situations, moments of conflict and hurt feelings. The same goes for most business settings as well.

That means it's common that family-run businesses hit bumps along the way.

"Conflict is really woven into the fabric of family enterprise," said Blair Trippe, managing partner at Continuity Family Business Consulting and co-author of the book "Deconstructing Conflict: Understanding Family Business, Shared Wealth and Power." "People have so much interdependence, and there are so many rules that people play by, that it's really hard to extricate out whether someone is your mother or your boss, or if you want to promote your niece over your son."

Sometimes issues go back as far as the childhood sandbox, Trippe said. And then there's the fact that business issues can easily spill over into home life—making work-life balance almost impossible.

“You can’t just fire the head of (human resources) because they’re not doing a good job and then have Thanksgiving dinner with them,” said Trippe, who works as a negotiator, mediator and family business consultant with a grounding in conflict resolution and strategic management.

Trippe warns that the fact that your family team doesn’t fight or argue doesn’t mean you’re conflict-free. In fact, it’s more likely that family businesses slip into stasis because they’re postponing hard decisions or avoiding triggering battles.

“There’s a passive conflict in which families get kind of stuck,” she said. “Businesses become paralyzed because you can’t move forward without worrying too much, so you kick the can down the road.”

On the other hand, if the little brother you’ve always been annoyed with starts disrespecting your authority on company matters, then conflict can erupt like a stick of dynamite.

Here are the three main underlying issues she sees as causing foundational problems for family-run businesses:

1. Opposing goals

One member of the family wants to grow the company into a national chain. Another believes its mission is to stay small and local. Conflict becomes inevitable at every level of decision-making where those goals come into play. Just as with a non-family-run business, you can’t stay on track if there’s disagreement about direction between key decisionmakers.

2. Incompatible values

Variant values are workable, but incompatible values—say, opposite tolerances for risk, or opposite work ethics—can cause strife. For example, one generation wants to hew to their grandfather’s prohibition against borrowing money, but another wants to explore the judicious use of leverage.

3. Historical impasses

This is the baggage that every family member carries around with them—sometimes expressed as the complaint that “Mom always loved you best.” Resentments that go back to childhood can provide insurmountable roadblocks to making sound business decisions.

Resolving Conflict

Of the three types of issues, Trippe said, the first—opposing goals—is the easiest to resolve. By clearly laying out a vision and strategy for the company, either by the family or in a process led by mediation (or even arbitration or litigation), the decisions that follow will fall into place.

But the other two are harder, she said, because the family has to grow its way out of the underlying conflict rather than negotiate.

“You don’t necessarily resolve the conflict—you manage it over time, because it’s built in and doesn’t go away,” Trippe said.

Adding structure to the company can help. For example, if there’s a family employment policy that outlines the skills required for each position, conflict that might arise out of hiring or organization can be managed. Siblings won’t be able to say, “You hired your son rather than mine because you’re biased” if it’s clear one person’s résumé is a better fit for the requirements.

An organizational chart with goals and policies provides clarity, and a board of directors to assist with management—or an external mediator or manager, if appropriate—can also help cut through the noise. Even something as small as offering coaching for a family member who doesn’t finish their work on time can also help on managing values conflicts.

Overall, Trippe said, the success of the family enterprise is usually linked to the strength of the family’s connection—something she calls “the family factor.”

“Will they make change or compromises, will they commit to doing something that isn’t exactly what they want for the sake of the family?” Trippe said. “To the extent that they have a strong family bond, it will be easier to do that.”

This bond isn’t necessarily an indicator of how much groups fuss or fight, she said. Some teams are made up of family members who squabble passionately—but would also go to the ends of the earth for each other. Others are polite, but don’t connect outside the workplace.

For the most part, individual disputes can either be resolved, forgiven or moved past. But the root systemic conflict, if left unchecked, will fester. Or, as Trippe explains, handling family fights is like a game of Whack-A-Mole—knock one down and another will erupt. Long-term conflict management is more like a chess match.

“You have to realize that all these pieces are related, they all have ways that they can and do move around the board, and you have to be really strategic and look at the whole picture,” she said. “Because family businesses are so complicated, you really have to understand the implications of every move.”

About the Author
Hannah Wolfson is editor of HomeCare magazine.

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