

Managing Family Business Conflicts

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Small business owners and CEOs have plenty to contend with as part of their normal daily operations. When the business is family-owned, a different crop of challenges may emerge.

That’s because “the interconnected nature of family businesses means that family drama, workplace issues and conflicts about the business can easily become serious problems,” notes the business magazine *INTHEBLACK*. Making matters worse, “family firms [often] lack formal processes and strategies to mediate disputes,” leading to issues that can threaten those firms’ well-being.

As is the case with most families, some conflict will inevitably occur in a family business. Here are some tips to minimize conflict and address it in a productive manner:

Recognize common sources of conflict.

Clarify roles within the family business.

Conflict can also arise when business roles within the organization are fuzzy and undefined. Making those roles clear and understood throughout the organization “will assist everyone in knowing what decision-making capabilities they have,” thus ensuring that “the leadership team reinforces whatever is agreed upon so that every role is respected and can contribute value” to the business.

When a problem occurs, focus on prompt and honest communications.

As within any family, a lack of honest communications can make a small problem worse. People are naturally reluctant to initiate a difficult conversation, even more so when it involves close family members.

Nonetheless, when an issue comes up, an effective approach is holding a formal family gathering to air grievances. Allow family members to speak honestly about what’s bothering them (big issues or small), and make sure everyone feels like they’ve been heard. This can go a long way towards resolving conflicts before they become overwhelming.

Enlist the services of an outside mediator.

Sadly, even with the best of intentions, a divisive crisis can occur that threatens the well-being of the family business. In such cases, it may be wise to enlist the services of an outside mediator. This can take place within the context of a “confidential, non-binding process” in which attorneys representing family members offer condensed arguments to an expert advisor.

Allen Fishman, founder of The Alternative Board, calls this a “mini-trial,” where family members can air their complaints and where an exchange of information can lead to the best possible settlement.

“Of course, the best solution is always to try to avoid disputes of this scale altogether,” Fishman notes. This can be achieved by “structuring the ownership and responsibilities in a family business to suit the abilities and personalities of the family members involved.” Acting on issues sooner rather than later can sharply decrease the chances of “knockdown drag-out family feuds” that lead to a business downfall and family estrangement.