

Why Fights Erupt in a Family Business

by Prof. Enrique M. Soriano III

IT'S one of life's ironies that folks who love one another can end up having far more acrimonious business relations than people who are unrelated. As one popular saying goes, "Must we always hate the ones we love?"

Business can bring families together or pull them apart

Some of the very things at the center of a family—loyalty and love, affection and acceptance—can help a family business prosper, or doom it to failure. A key finding of positive psychology is that happiness depends in large measure on relationships. Our families are our primary relationships, yet we spend almost no time trying to improve them. The challenges typically faced by family businesses, e.g., sibling rivalry, in-laws, marital discord, succession dilemmas, can be successfully navigated but often overwhelm family business, destroying the business and relations among family members.

In my experience, unnecessary or "non-revenue" conflict actually occurs frequently in family businesses than non-family businesses. Why is that? The answer is simple. Fights in family businesses break out because they can. In non-family businesses, there are barriers to keep things from escalating. Owning the business removes many of these barriers. Once a conflict starts, it can easily spiral out of control.

Draw clear management lines

It isn't that the causes of conflict are any different in family and non-family businesses. In all types of companies, people disagree about issues related to policies, money, and authority. But there is a fundamental difference in the two types of companies as to what stops conflicts. The difference, in a word, is boundaries.

Rules and processes may exist, but most don't apply to the owners. What's more, key relationships are grounded in the dynamics of the family itself. In non-family firms, no matter how imperious they may be, leaders are rarely as dominant as matriarchs or patriarchs. In family businesses, "children" never leave home. Parents dispense love, respect, and other things that people value—and they control wealth and career opportunities as well.

Family members often deal with difficult circumstances by withdrawing, avoiding, or undermining each other. All too often, matriarchs and/or patriarchs try to resolve disputes by forcing everyone to toe the line. If a conflict finally breaks through, it can do so with a pressure that blows the lid off the family's presumed harmony.

Establish clear methods of communication

Does this mean that members of a family business are fated to bide their time until their relationships erupt into a bitter fight? Not at all, and this is the good news. Once we understand that intense conflicts result from the relative absence of formal boundaries on behavior, we see that they can be avoided through an infusion of greater structure into the situation. In one client situation, for example, I helped establish an advisory council that would be a forum for making tough decisions as a way of mitigating sibling disputes.

Family disagreements often simmer for years, but they most frequently erupt when a business is at one of the following crossroads:

- When the original owner dies or decides to pass on the company to the next generation without any clear mandate as to who among the siblings should assume what role.
- When ownership interests become more diverse among family members.
- When ownership or control of the business is transferred out of the family, e.g., feuds often erupt over the distribution of sale proceeds.

The ability to separate oneself from the stress and peculiarities of dealing with family conflicts while devising strategies for business success and continuity is a difficult but essential skill for the survival of a family business.

To help minimize the consequences of family-induced business problems:

- Make certain that decisions about the future of the company are made early, such as identifying who the successors will be and when they will take control.
- Document all corporate actions to reflect explicitly the intentions of the owners.

Disagree with respect

We live in complex times. Family members make diverse life choices, marry strange people and raise their kids in oddball ways.

To prevent such natural differences from becoming bones of contention, make a family policy of respecting the life choices and points of view of parents, brothers and sisters, offspring and other family members.

The best way to keep a family business viable and to avoid irreparable missteps is to make decisions based on the best interests of the business. Every family-owned business should have at least one family staff meeting per week and should encourage lots of open exchanges of information in between. Playing the cards close to the vest is good poker but very poor family business management.

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