

Making bad blood good: How conflicts within family businesses can be resolved before they turn toxic



Synopsis

Many landmines are rooted in the realm of relationships. The normal tendency is to go into an 'avoidance mode' rather than taking the bull by the horns. To ensure healthy functioning, it is crucial to address these issues. By paying attention to root causes of conflicts, many potential dangers can be mitigated.

The intensity of unresolved conflicts within a family can be so severe that it often leads to compromising crucial business decisions. Such interpersonal conflicts are common in family firms. They are one of the main reasons for the mortality of family businesses.

Many landmines are rooted in the realm of relationships. Intra- and interpersonal dynamics among family members create a complex environment. Rivalry, comparisons, unhealthy competition, biases, favouritism, physical and mental health issues, ego dynamics, toxic communication, lack of connection, and misalignment between vision and purpose are some factors that contribute to a war zone-like atmosphere.

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Family firms function as collective systems. Individualistic and independent cultures pose challenges to such functioning. Unaddressed ego is the mother of all conflicts. The ego dynamics constantly filter the world using 'yours', 'mine' and 'ours' paradigms.

Pecking, picking

In an ideal world, meritocracy rules. But in the real world, family firms, too, have an invisible pecking order, shaped by gender, birth order, power, pedigree, even appearances. This hierarchy significantly influences positions, authority, designations and access to resources.

Conflicts emerge when contributors find themselves at the bottom of this order. Lack of fairness erodes trust and shakes faith, creating a stifling dynamic. Family members handling more public portfolios, making more appearances in media, etc, can create unequal social identities. This has a negative ripple effect on every aspect of business. A comparison of seemingly insignificant aspects like allocation of family allowances and perks, number of domestic staff, brand of cars and types of homes can trigger conflicts. While affordability is almost equal among family members, lifestyle differences emerge based on individual sensibilities. These differences can lead to dangerous rifts.

Role call

In the **family business** environment, roles are often dynamic and complicated. A business' agility and alertness are contributed by family owners' capacity to meet the need of the hour. Not every family member can fill every role and, at times, less competent members may occupy positions, impacting the business negatively. This complexity arises as defining clear-cut roles with an accountability matrix for owner-managers seems nearly impossible.

But strictly defining roles can also be restrictive, while lack of clarity creates confusion between working members and professionals. Conflicts of interest, disputes arising from encroaching on each other's scope and owner-managers feeling questioned result in the erosion of trust. This creates a vicious cycle.

Multi-gen grain

Generational differences become pronounced in multi-gen family setups. Handling 'next gen' entering the business requires sensitivity. Each generation communicates and connects from a different cultural paradigm. Older generations may lose relevance, while younger ones may lack tolerance. This can lead to conflicts over approach, risk-taking capacity, professionalisation, etc. But history provides examples of many family businesses successfully navigating these conflicts. Drawing inspiration from these, it's essential to identify universal principles that have allowed conflict resolutions.

Resolutionary fervour

Perpetuity largely depends on establishing a few key principles that includes 'run your business like a family and your family like a business', an approach championed by family business expert Peter Leach. While businesses have defined structures, processes and policies, families lack agreed-upon and documented principles, policies, processes and structures.

Fair play

Family businesses that invest time and energy in promoting a fair process can defuse many potential landmines. Conversations about fair processes, formal or informal, are the only way to address many conflicts. Fair process allows every voice to be heard. Regularly assessing its effectiveness is crucial for minimising conflicts.

CEO+

Identifying cultural custodians and acknowledging their role is important. Families with a chief emotional officer (CEO+), whose role is to identify differences before they escalate, contribute to integration. CEO+'s role is large in scope and exhaustive in nature. He or she can get enmeshed in too many dynamics. In such situations, external advisers and facilitators who elicit the trust of all family members should be solicited.

Con com

Constructive conflict management involves the tech and art of connection and communication. Establishing a clear code of conduct fosters a healthy culture of communication, with one such principle being avoidance of triangulation - when A communicates an issue with B through C. This compromises trust among all three individuals. The skills needed for constructive conflict resolution, such as healthy communication and positive connection, can be learnt on an ongoing basis.

Governance & compliance

Governing the family in a manner that establishes clear-cut policies, well-defined processes and nurtures a culture of governance compliance is a reliable method to navigate most conflicts. When establishing the governance code, its scope should cover 'who', 'what' and 'how' for it to be effective.

Compliance is the vital counterpart to governance. Establishing effective governance is essential. But the governance framework must undergo regular reviews. Any instance of non-compliance should be identified and communicated with tact within the family system. Compliance requires discipline.

Managing differences and conflicts has to become the mantra for families. By instilling and upholding discipline, family businesses will not only be able to navigate conflicts effectively but will also lay the foundation for harmonious, resilient legacy-building.

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