

How to Manage Conflict in a Family Business

— Walid S Chiniara

Conflict is possibly one of the most persistent aspects of life. No two individuals are alike and differences between them are bound to surface in many ways. One of the major vulnerabilities of family business is that it is prone to conflict. When it is among family members, conflict becomes personal and therefore difficult to solve. In this article, the author suggests the roots of such conflicts and some measures that can help in their resolution.

Roots of Conflict in Family Business

The article identifies the following factors that are the roots of conflicts in family business:

1. *Difference in Perception* – Individuals involved in family business may perceive same situations differently. Disciplining measures may be perceived as unfair punishments. Perceived injustice may be caused by perceived 'free-riding' by others. One individual may perceive that he/she makes more efforts while his/her siblings work less, but get the same reward.

2. *Mistrust and Suspicion* – These are closely linked to perception. Seniors, who perceive next generation members to be irresponsible, do not trust them for carrying out critical tasks. Potential successors may suspect the incumbent's intentions to pass on the business leadership to a sibling who is 'close' to the incumbent leader.

3. *Ego* – In conflict situations, individuals feel being mistrusted or misunderstood or diminished or damaged or wounded or threatened. Feelings such as these adversely affect one's ego, which is linked to control. This often has a negative effect on conflict resolution, as individuals remain adamant holding inflexible positions.

4. *Identity* – Individuals have a need to feel valued. Any threat of being weakened, injured or intimidated creates conditions for emotional outburst. In addition, individuals hold their identity pretty strongly and it is something that cannot be replaced with money. For instance, a major reason why succession feuds turn intense is that no one wants to appear to be less worthy to be the successor.

Effective Conflict Resolution

Family business conflicts can take complex roots and therefore no one method can be suggested to be a panacea. Conflict resolution in family business settings is often arrived through a mix of negotiation, mediation, diplomacy and communication. Many a times the situation comes to a stalemate. However, families that aim to resolve conflicts must ensure the following:

1. *Principled Negotiation* – While working on solutions it is important to separate individuals from problems. Ego and emotions of everyone involved in

negotiations are bound to go through ups and downs during the exercise. The outcome will certainly affect the relationship between the parties if their relationship is not given due consideration.

2. Focus on Interests, not Positions – It is important to understand each other's perceptions and identify the reasons for differences between those perceptions. Once these gaps are identified, the negotiating parties or facilitators can arrive at better, mutually acceptable solutions.

3. Create Solutions for Mutual Gain – It is important that the facilitator insists that the

results of negotiations are based on mutual criteria and not favouring one over the other. The aim of the resolution must be to maximize the combined gain.

Practical Implications

Family business members need to understand the underlying causes and roots of conflicts. They must build channels of communication and work to resolve conflicts based on fairness, larger benefit of the family and business and aim at outcomes that lead to greater mutual gain.

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