Seven Rules to Avoid Conflicts between Family and Non-Family Employees

— Carolyn M. Brown

Family businesses often experience conflicts between family and non-family managers. The family firms that do not have a formal management structure and standard policies and practices are more likely to witness such conflicts. One of the crucial reasons for some of these tussles is the conflict of interest between family and non-family managers. In this article, the author suggests seven rules that can help the family firm avoid or minimize these conflicts.

The Seven Rules to Avoid Conflict

Rule No. 1: Family firms must put only those family members on their employee rolls that genuinely work for or make real contribution to the business. Especially, in a small or startup business everyone does everything. This is where conflicts arise. The family and non-family employees must have **clearly defined roles and responsibilities** with a common and periodic performance review.

Rule No. 2: It is important that **no special favours** are provided to family employees. Otherwise, it will create two classes of employees and prepare ground for potential conflict. For instance, the non-family employees must not feel that a raise or a promotion is out of their reach, as they do not come from the family. Such practices not only reflect the organisation as an unprofessional setup but also affect employee morale.

Rule No. 3: Rewards and punishments must be **based on the work behaviour** demonstrated and not on the individual's relationship with the family. While unwanted behaviours call for disciplining, penal measures must be clearly spelt out and uniformly implemented. Similarly, exceptional work must be equitably rewarded, regardless of family membership.

Rule No. 4: Communicating honestly and openly with employees fosters a better climate among family and non-family members. If employees are kept in dark over critical business issues, they feel cheated when the secrets come out (which eventually do come out). By having **open two-way communications**, the employees do not feel that family members are the only ones who are 'in the know' of what is happening in business.

Rule No. 5: Family needs must not be met using business resources. For instance, borrowing company vehicles by family members for personal leisure trips or asking company's computer engineer to set up a family member's home office must be avoided. Similarly, personal expenses on say, family vacations must not be passed on as business expenditures. While it is difficult to have guidelines for everything, the best way to **adhere to professional conduct** in such cases is to ask - 'what would I do if this person was not a family member' and then being consistent in dealing with such situations.

Rule No. 6: It is important to have a healthy **boundary between family and business lives**. Some business conversations are likely to happen during family time and vice-versa. However, neither business nor family must excessively infringe upon each other's territory. Especially for copreneurs (Husband-wife teams), it is a fine balancing act, where some norms like - no business talk after 6 pm, or being at home on weekends, etc. might help. Not respecting this boundary creates ground for potential conflicts among family members and between family and non-family members.

Rule No. 7: Effectively **use family councils to resolve family issues.** For instance, family members may agree on values but may have different vision. Siblings may differ on whether to continue or sell the business. Such issues can be resolved in the family council. Based on consensus arrived after elaborate discussions, the family council can evolve a strategic plan for the business. This helps the business in getting a unity of direction. An important point to note is that the family council must not get into micro managing the business but think ahead and chart out the long-term course that the business must take.

Practical Implications

Following common rules of engagement and transparency a lot of potential conflict between family and non-family employees can be avoided. If such conflict has become an everyday affair, it is better for the family firm to seek the services of an external expert who can understand the dynamics of the situation act as a negotiator or change agent and devise effective conflict resolution. Family managements also need to realize that they need to exercise responsible ownership and manage the business in a fair and transparent way that respects the dignity of non-family employees.

Source: *Inc.com, February 18, 2011.*