

FAMILY BUSINESS SERIES _ BUSINESS TODAY ON LINE

DEALING WITH DIFFERENCES – CONFLICTS IN FAMILY BUSINESS

Conflicts anytime, anywhere, for any reason, can be dysfunctional and disruptive. Not so with differences – these can lead to creative outcomes and strengthen relationships. Differences, in fact, need to be celebrated.

Conflict starts in small ways and builds up. Today's conflict in most cases, has roots in some past disagreement.

A misunderstanding avoided, may lead to spiralling differences
Differences unattended may promote conflict
Simmering conflict may lead to incompatibility
Which may lead to separation.

It is important to nip it in the bud and open up blocked communication routes. This is, however, easier said than done, particularly when the ego plays up at a high pitch and the relationships are in a family setting.

Differences and conflict in family business erode economic value, lead to separation and fractured relationship between kith and kin, often with transgenerational consequences both for the business and the family.

Differences may be caused by many triggers in a family business:

- a. Differing world views
- b. Unfamiliar perspectives
- c. Varying contexts
- d. Multiple role conflicts
- e. Asymmetry of information
- f. Difference in personality types
- g. Non-convergent values
- h. Unfulfilled aspirations
- i. Entry of new members into the family

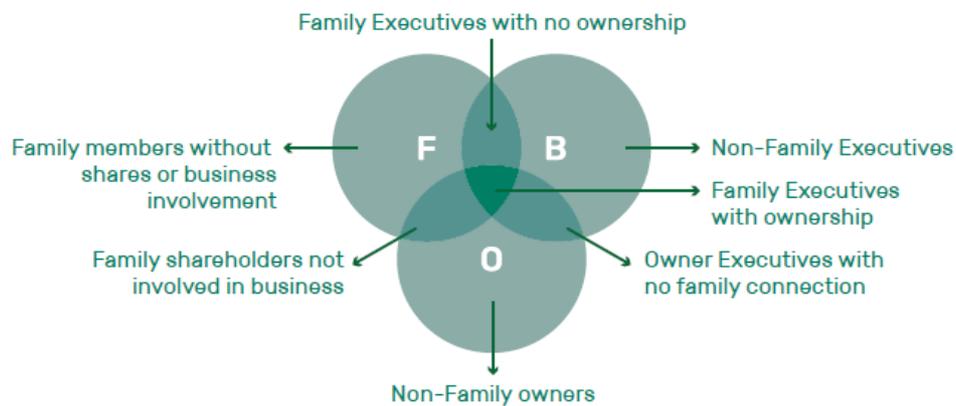
So why are family businesses so susceptible to differences and conflicts? Because they are complex and vulnerable – the spectrum of emotions common in any family setting overlaps with the stress of business imperatives; world views collide; money and entitlements come into play; hierarchy interferes; comparisons appear; ego entrenches positions; roles in the business conflict with family roles; rational decisions needed in the business confront familial emotions and vice versa.

There is one other significant stress point- the existence of multiple stakeholders in the family business. This creates a tension between the different roles responsibilities and rights. Conflict of interest arises. If one individual has to wear more than one cap, she takes the brunt.

Perspectives across multiple stakeholders’ clash, not only personalities.

The diagram below illustrates this point:

Figure 1 The Multiple Internal Stakeholders of a Family Business



Source Tagiuri and Davis (1996)

Progressive family businesses mitigate the risk of conflicts, by dealing directly with differences. They set out principles and policies before they become necessary.

GUIDELINES AND POLICY

The family business needs to legitimise a culture that celebrates differences. A formal policy adopted by all members of the family helps in doing this.

A suggested policy is shown below:

PRINCIPLES, PROCESS AND POLICY FOR DEALING WITH DIFFERENCES

Preamble

1. Diversity and differences are extremely healthy for creative development, meaningful choices and learning.
2. Differences must be “celebrated” as an opportunity for renewal in relationships, new learnings about oneself, others and life situations.

Principles

1. The keynote for the family is : Family Together, Business Together and Family Reputation.
2. We recognize that differences are inevitable.
3. We commit to engage with differences rather than avoid them.
4. While resolving differences, we will keep the family and business values in mind
5. We will consistently aim for a win-win situation.
6. Promoting openness, fairness and mutual respect amongst the members at all times is our responsibility.
7. Striving for consensus and face to face resolution of differences is crucial.
8. All individuals and points of view in the discussion will receive the benefit of doubt.
9. Assumptions will be clarified and put in perspective. Facts first.
10. Remain in the 'present' and not allow past hurts and misunderstandings to block our discussions- we believe that every individual evolves, grows and changes over time.
11. We will attend to differences at an early stage and prevent them from becoming conflicts.
12. While we will avoid triangular communication.
13. We will use third party expert facilitation / advice / mediation wherever necessary.
14. We will take every opportunity either individually or in a group setting to promote trust and understanding.
15. All family members agree to train for improving skills in managing differences.
16. At no stage, will we resort to press coverage and law suits.

Process

1. Adopt the following schedule for resolution of all differences, keeping in mind that differences should not be allowed to linger:
 - a. **Face to Face:** Within 72 hours of the incidence.
 - b. **Facilitation:** If not resolved face to face within 72 hours, a mutually acceptable internal / external facilitator will be tried for next 3 days. At this stage, the facilitation will be 'content neutral' and not get involved in the merits of the case. The facilitator is expected to influence only the process of communication.
 - c. **Mediation:** If a resolution is not achieved in step b) the Family Council will appoint a mediator acceptable to both parties – the duration of the process of mediation will be 3 days. The mediator is expected to get involved in the merits of the issue, in addition to the process of communication.
 - d. **Final Say:** If the dispute still remains unresolved even after mediation, a final binding decision will be given by the Family Leader for the family issues and Business Leader for business issues or at a Family Council Meeting.

Behaviour

1. Family interaction and differences needs to be managed with sensitivity, which includes –
 - a. Self- awareness and inner excellence
 - b. Managing the ego
 - c. Active listening
 - d. Empathy

Notice that this policy underpins the mindsets and values necessary for dealing with differences proactively

RELATIONSHIP REVIEWS

Setting up a practice of regular facilitated “relationship reviews” is strongly recommended. Typically, off site retreats of family members, helps clear misunderstandings and revitalise relationships. It is a lot of hard work, particularly, when family members believe that relationships are fragile. In cases where confidentiality and trust have been breached in the past, it is an uphill task.

FACILITATION

Skilful and experienced professional facilitation is helpful in creating a family culture which is open to dealing with differences. The competence of the facilitator must be AAA and experience in group process facilitation and applied behavioural sciences must be deep, insightful, wise and wide.

CONCLUSION

Differences are here to stay as a natural human phenomenon across cultures and families. In the midst of the vicissitudes of life, a family business that strives to deal with differences openly and consistently will win. When legitimised by a pre-emptive policy and necessary training, it will stand a much higher chance of business prosperity and family well -being.

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