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How to Work Through Conflicts in a Family Business

Creating a family business comes with a lot of positives, as well as a lot of challenges. Here's how to handle those conflicts as they arise.

Anyone who's managed a business with other family members knows that working side by side with loved ones can be a double-edged sword.

While there's often a high level of trust and loyalty that comes from working with those you know best, that long shared history can sometimes cause personal conflicts to spill over into the workplace.

When family disagreements threaten to affect a business's quality of service or derail long-term goals, it's sometimes necessary for family members to dedicate time to identifying and working through those conflicts before they worsen.

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In my experience as an investment banker, I've found that conflict within a family business often falls into two buckets. The first is defined by continual small disagreements among family members over business decisions and who has the right to make those decisions. Over time, this can cause the line between family and business matters to blur.

The other bucket, the one in which I work, involves a major inflection point for a business that has implications for the entire family, whether or not they work directly in the business. These inflection points — selling the business, buying another business, taking on new investors or a change of generational leadership — all come about through the passage of time. Circumstances create a need to make a choice about the future, which creates the opportunity for stress, ill will and unspoken assumptions to spill into the workplace. Personal dynamics can become workplace dynamics in a way they weren't before.

My experience is that the most intractable family business conflicts arise from what I call a "poorly set table." This happens when somebody who is affected by the decision is excluded from the decision-making process early on, which causes confusion and, over the long term, builds resentment. In many cases, those things could have been avoided by family members making explicit what has previously only been implicit.

Setting the table for decision-making makes a huge difference when it comes to generating a positive outcome. It might feel like a lot of prologue, but if you skip these steps, the potential for conflict becomes much greater.

- **Define who's in the conversation.** If a looming change to a family business is likely to change family dynamics, wealth or what family members do with their time, the family's first order of business should be getting all the relevant people in the room. That means not only those family members who work within the business, but everyone who's going to be affected, even tangentially.
- **Decide the group of decision-makers.** This isn't as clear-cut as saying that out of 10 people potentially affected, only three are making the decision. You want to give everyone a chance to be heard in some form. So, in whatever way works best, make sure that every relevant voice gets to share how the decision will affect them, as well as their most important decision criteria. One way to do this is to parse out the individual issues that go into making the decision, allowing the affected people to weigh in on the specific ones that affect them — but not those that don't.
- **Clarify the business's value to family members.** It's common for business owners, siblings, parents and children to be looking for a level of livelihood from their family business, regardless of what the business is worth. For family members who might not work in the business but still receive occasional income, a business sale would mean a one-time windfall, after which the income would stop. This can lead to a potential difference of opinion if, for instance, one family member working in the business is ready to pursue new opportunities and wants to cash out, while another who has been receiving passive income would prefer that arrangement to continue in some form.

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A business's value can also be more than monetary. Some families, intentionally or not, build their identity around their businesses, which can make the prospect of selling an emotionally charged issue. When a business owner reaches the end of their career, a change is going to happen one way or another because of time and age. This can lead to a big, existential question: Change to what? Finding the answer to that question can often provide greater clarity for families trying to evaluate multiple options.

- **Make the logic clear to everyone affected.** Once a decision has been made, it's crucial for the decision-makers to explain how they arrived at that decision, and the reasoning behind it, as accurately and clearly as possible to those who weren't in that group. Whatever the story is, it can't be kept a secret. The decision-makers have to take accountability for what they've chosen to do and, out of respect for their family members, must help them understand the emotions and facts that drove their conclusions.

When circumstances create a need for change, conflict often arises when there's more than one right answer about what the post-change world could look like. In these situations, the process of working through conflict often comes down to good communication, which can sometimes be challenging even with the people we're closest to.

But by putting in the time and effort to set the table in your decision-making process, you can reduce the opportunity for conflict, and potentially even open the door to resolving long-held issues you've been putting off.

Frank Williamson is the founder of Oaklyn Consulting, a consulting firm that helps investor groups and private businesses, from startup to middle market, with mergers, acquisitions, capitalraising, investor relations, succession and other strategic corporate finance decisions. Oaklyn Consulting does not work as a broker but as an extension of clients' boards and management teams, charging time-based fees for investment banking advice.