Growing Together, Not Apart

Part I: Understanding Conflict in the Family Business

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This is the first in a two-part series on family business conflict and conflict resolution techniques.

Perhaps some time, walking in a garden or arboretum, you've happened across a pleached tree. Pleaching is the process of planting two or more young, flexible trees close to one another and weaving their trunks together as they grow. The process requires time and attention to guide the trunks and help them intertwine, but pleaching creates a very strong combined plant. Strong families are like a well-pleached tree. On the other hand, like fractured families, if the conjoined trunks are untended, they will naturally diverge and can harden in the wrong direction, not only ruining the visual effect, but weakening the combined tree.

Achieving a well-pleached business family is challenging for a number of reasons. It goes without saying that there are many opportunities for business family members to have conflicts, given all the ways in which their lives intersect and their interests or ideas may be out of synch.

> **One of the goals of a business family is to learn how to manage conflict inside the family so that good family decisions surface, individuals grow in healthy ways, and relationships achieve their potential.**

As much as we prefer peace and harmony in our family, we usually tolerate minor skirmishes and can even see the value of conflicts that generate better thinking and solutions on a subject. What we fear, and usually do a poor job of managing however, is conflict that divides people, harms their relationships, and makes agreements and solutions to problems even harder to put in place.

In this article, we will help you better understand the origin and nature of different kinds of conflict in business families. This can be a starting point to help you better manage family conflict in your business family so that you can help family relationships and the family business to grow strong and healthy, like a well-pleached tree.

FOUR KINDS OF BUSINESS FAMILY CONFLICT

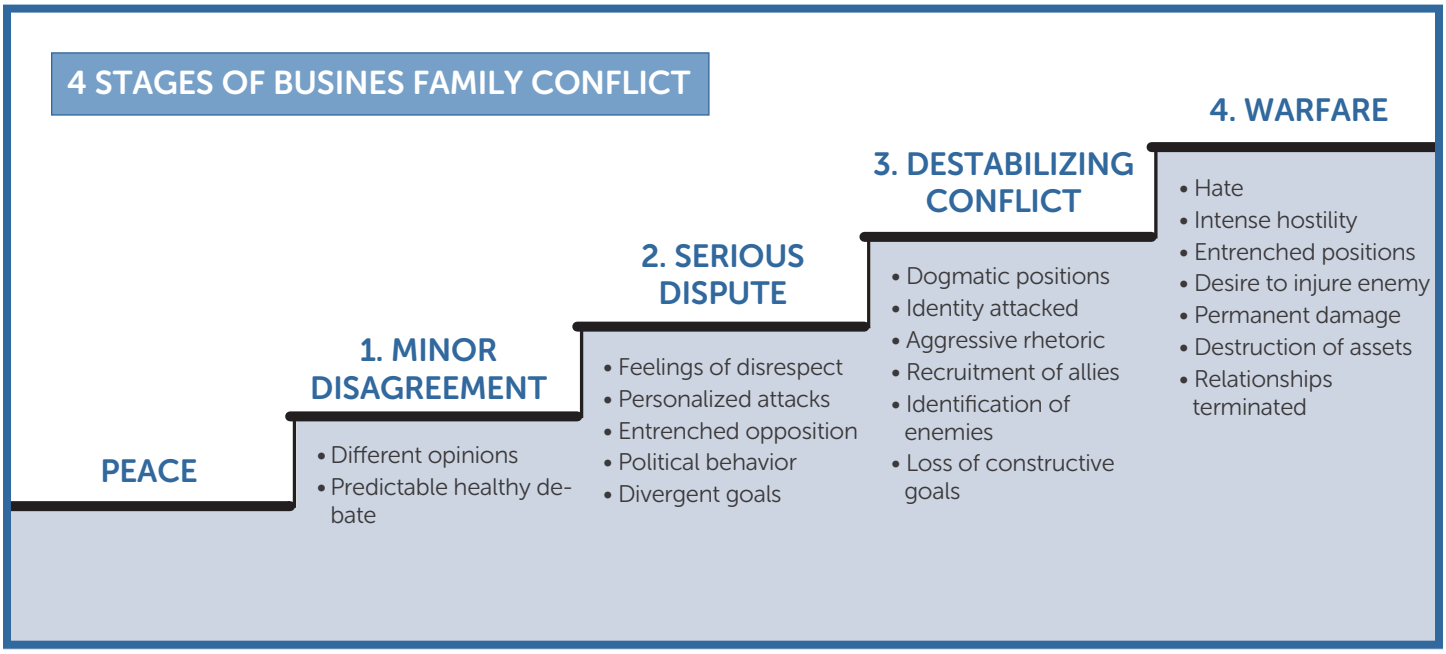
Interpersonal conflicts can be categorized into four types. First, at the lowest grade of friction, there are *minor disagreements.* These arise from seeing things differently, and

are usually worked through with respect and compromise. Some companies even engineer this kind of debate in order to drive fresh thinking–a tactic that Harvard Business School professor and innovation expert, Linda Hill, calls "creative abrasion."[1] When conflict of this nature is well managed, differing opinions lead to better solutions than those that would arise from a singular point of view. But you want to guard against creative abrasion morphing into personalized attacks and entrenched opposition, where parties are then poised to find things to disagree about.

Escalate, prolong and especially personalize the level of discord, and you enter the realm of *serious disputes.* These may be the result of larger ideological differences or may start as minor disagreements that fester and grow, especially in the face of divergent goals. Feelings of disrespect combined with blame and defensiveness often come into play. These conflicts are still able to be worked through, but must be addressed quickly and competently. You especially want to interrupt the conflicting parties from recruiting allies to their cause, or you risk moving to the next stage.

Then, there are *destabilizing conflicts,* where factions develop, stakes and rhetoric escalate, and participants find it more and more difficult to back away from their positions in order to find an amenable resolution. These conflicts are dominated by dogmatic positions and emotions; anxiety is high, anger is expressed aggressively, and parties often feel their identity attacked. Without outside intervention, these conflicts are likely to develop into the most dangerous type of conflict: warfare.

Warfare can threaten the existence of an organization or relationship. At this stage, positions are so entrenched that for some people it becomes more of a priority to be right, or even to injure the other party, than to find a resolution to the conflict. Intense hostility may cause participants to attack one another personally and enact revenge at the expense of the family or business. Relationships that endure this stage of conflict are often permanently damaged, and families and companies can be inexorably changed, divided, or even destroyed. The decades-long battle between the Demoulas cousins over their $4 billion supermarket chain, Market Basket, culminated in 2014 with the most expensive lawsuit in Massachusetts history. The cousins parted ways, with buyouts and restructuring of the ownership group, allowing one branch to salvage what was left of the company. Often the only resolution to warfare is the separation of financial assets; family relationships rarely recover.



[1] Linda A. Hill, Greg Brandeau, Emily Truelove, Kent Lineback, *Collective Genius: The Art and Practice of Leading Innovation* (Boston: Harvard Business Review Press, 2014).

Conflict in a business family can happen over legitimate and important differences, and also over real injury, but it can also happen, or be accelerated, because of emotional insecurity; over reaction to perceived slights; misinformation and gossip; and manipulation by those who hope to gain from the discord. In a business family, the issues don't have to be big to get a family enflamed. Sometimes, seemingly small issues (to an outsider) can offend sensibilities, create mistrust, and launch a family on a path to escalating conflict.

FAMILY DYNAMICS AND THE FAMILY BUSINESS

Business families have certain qualities that make them likely breeding grounds for intense feelings and relationship conflicts.

Complex, Close Relationships

First—like all families—in business families, the relationships between parents and children, among siblings and cousins, and even between more distant relatives are often complicated. They come with strong attachments, high levels of dependency, and emotional reactivity. Families are complex systems: they are emotional by nature, with impassioned feelings, long histories, and indelible memories. Roles that are established early in life are rarely updated, even as individuals mature and see themselves differently; family members can be too close to see one another as clearly as outsiders do.

The emotional closeness of family members can be a source of both profound support and greater tension. Family members can be protective, loyal and self-sacrificing. The inherent and heightened need in these systems for attention and approval can lead to competition among members. Expectations, assumptions, and favoritism–whether real or imagined–have greater influence in a family, where individuals are sensitive to the perception of "fair" treatment. Because the reputation of the family is determined by the actions of family members, individuals can feel steered, judged, or pressured to meet the expectations of the family over their own individual needs. Given the many intrinsic tensions in families, it is not surprising that families that constructively work together to counter these complexities stay together longer.

Entrenched Communication Patterns

Second is the unique communication style of the family unit. People tend to be less careful in choosing their words with those closest to them. That kind of candid expression, which is often beneficial to getting things done, can easily slip into callousness and lack of sympathy. Even certain words, expressions, or body language can be fraught with meaning among people who know each other intimately, and their unconscious use can lead to outsized reactions. Family members also have difficulty listening to one another without judging, which can lead to caution and apprehension about being open with one another. That can further undermine mutual understanding exactly when it is most needed. Add to that the unfortunate, universal truth that family members are generally unskilled at expressing appreciation to one another. These communication patterns become entrenched in families over years of repeated use.

Attachment to Legacy

Third, in a business family there is generally a heightened attachment to the legacy of the family. Most family owners consider themselves a permanent ownership group that is effectively closed; walking away from the family is rarely considered an option. Business family members can also be dependent on the business or the family for financial support, social status, or other reasons. They can also feel very sentimentally tied to the business that their ancestor founded and passed down, and which becomes an important part of the family members' personal identities. Given the high level of interdependence in these families, compromising on issues and working to achieve common goals seems logical. Under these conditions, however, it is easy for family members to feel competitive, self-protective, controlling, and vulnerable. Business family members generally have a sense that the stakes in their relationships are high, but also that their status in the system needs to be protected.

Multiple Overlapping Roles

Finally, business family members have various roles–such as family member, owner of the company, employee in the family business, board member–that define their place in

the family business system, and often their power and status in the system. When these roles overlap, a family member can feel role confusion. A parent can interact with a next generation member not only as a parent, but also as a boss and business partner, which can make it challenging to know how to treat one's relative in any circumstance. With overlapping roles, competing interests also more naturally arise, increasing the chances for misunderstanding or conflict.

The overlapping spheres of family, business, and ownership are important because conflict in one area can seep into the others easily and quickly. A family conflict can impede business relations and decisions; a difference at work can make interacting in the family more difficult. Business families need to manage issues in all three spheres and be disciplined to not let conflict in one area infect another area of the family's life.

CONFLICT: A CASE STUDY

Left unchecked, conflict will escalate through a predictable path.

Let's use the example of two siblings, Jane and Tim, who were 50/50 partners in their retail business. They began with a *minor disagreemen*t about the best way to remain competitive in the market. If they had opted for an open dialog at this point, with objective input from the board, they most likely could have found a mutually acceptable solution. Unfortunately, when they disagreed, Tim felt that Jane's objections were a sign of disrespect: that she believed that he was an ineffective manager.

Instead of being resolved, it escalated to a *serious dispute.* Rather than being about tangible business issues, with a shared goal of finding resolution, the dispute became more and more about personal feelings and accusations. Jane and Tim demonstrated their power by excluding one another from important conversations and surprising one another with decisions. They began calling each other names in private. This went on for several years, during which time, the two branches of the family grew apart. Management wasted time navigating the conflict; productivity and morale slowed.

At this point, Jane sought outside help to try to mend the relationship and the business, which was suffering. But the situation had become a *destabilizing conflict.* Tim saw Jane's attempt at resolution as a sign of weakness and decided to press for "victory." He took various steps to gain greater control of the company by hiring his sons-in-law and giving them wider responsibilities, without making Jane aware. Jane retaliated by encouraging some senior managers to make it difficult for Tim's sons-in-law to succeed in the company. When conversations took place between them, they were heated. The siblings' spouses and children did not socialize.

For the first time, both siblings began to consider options that would remove the other branch from the organization completely. But when Jane presented options for how to separate successfully (splitting operations, a buyout, etc.), Tim refused to agree to any idea. He finally admitted that he was in a stage of *warfare* now, where his main goal was to hurt Jane and her family in any way he could.

And, in a way, he did. While this battle had been raging within the family, top talent in the company had departed; competitors had taken advantage of their slow decision-making, and made serious inroads. Both siblings blamed the other for the company's declining market share. Within a few years, the company was bankrupt and the family was bought out at a ridiculously low price. Like the untended pleached tree, the diverging branches had weakened the entire system.

Of course, no family wants to see this kind of damaging escalation of conflict. And they don't have to. There are constructive approaches to disagreement and negotiation techniques that can help all parties feel understood and part of the process, with positive results for family unity and business success.

In Part II, we address how family conflict can be managed and used to create a deeper level of trust and stronger family and business relationships.

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Courtney Collette is an advisor to business families throughout the world on strategies for the successful continuity of their enterprises. She is a partner at Cambridge Advisors to Family Enterprise, a highly specialized international advisory firm serving family enterprises, and COO of Cambridge Institute for Family Enterprise, a leading education and research institute on the issues family enterprises face. Since 2004, Ms. Collette has advised multi-generational family enterprises of diverse sizes, generations and industries in North America, Latin America and Europe. She assists families with the design and implementation of family governance, strengthening family unity, education and training of family members for future roles, preparation of the next generation, and succession planning.

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For nearly forty years, John A. Davis has pioneered and shaped the family enterprise field as an academic, advisor, author and speaker. He is a global authority on family enterprise, family wealth, leadership and succession. His insights have helped to develop leaders, professionalize businesses, strengthen families, and pass sustainable enterprises to the next generation. He has advised family-owned companies and family offices from over 60 countries, and has chaired the *Families in Business* program at Harvard Business School since joining the faculty in 1996. The Three-Circle Model of the Family Business System, which he developed with Professor Renato Tagiuri in the 1970s, continues to be the most widely used framework in the field. He has authored a number of important publications, including the benchmark book, Generation to Generation: Life Cycles of the Family Business.

About Cambridge Institute for Family Enterprise

The Cambridge Institute for Family Enterprise is a global research and education institute dedicated to the real issues facing family enterprises. It is a place where progressive members of family enterprises come to learn, exchange ideas, develop themselves and position their enterprises to be not only successful, but sustainable over generations. Learn about our conferences, education programs, writing and research at cfeg.com and on twitter @CambridgeFE.