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Why Fights Erupt in Family Businesses

by Josh Baron and Rob Lachenauer

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Two brothers sharing ownership in a fourth-generation concrete business had a bitter falling out over an unlikely issue: a sailboat. The older sibling accused the younger of dipping into the till to support his racing habit. The younger brother struck back by issuing an ultimatum: buy out my share of the company, or sell me yours. An ugly fight ensued, affecting the business, the family, the employees, and the customers.

The rift between these two men — the father and uncle of a colleague of ours — never healed. Both men went to their graves without speaking another word to one another; their children grew up as strangers instead of cousins.

It's one of life's sad ironies that folks who love one another can end up having far more acrimonious business relations than people who are unrelated.

And yet in our experience, conflict actually occurs less frequently in family businesses than non-family businesses. It's just that when it does break out, the fighting tends to be more intense.

Why is that? The answer is devilishly simple. Fights in family businesses break out because they can. In non-family businesses, there are barriers to keep things from escalating. Owning the business removes many of these barriers. Once a conflict starts, it can easily spiral out of control.

It isn't that the causes of conflict are any different in family and non-family businesses. In all types of companies, people disagree about issues related to strategy, money, status, and authority. No organization is immune to narcissistic leaders or difficult relationships between employees. But there is a fundamental difference in the two types of companies in what stops conflicts. The difference, in a word, is boundaries.

Most non-family businesses have rules and processes — structure — that govern behavior for everyone from the bottom of the corporate ladder to the top. If my boss tells me in front of colleagues that I have a personality disorder, he is likely to be called up by HR for disciplinary action. Of course, we can all go overboard. A colleague's former boss once asked her if it was okay to shake her hand. They both laughed, but the comment underscored how controlled behavior can be in non-family environments.

The positive side of such rules and processes is that employees can safely quarrel with one another, confident that most people are going to stay within the bounds of civility most of the time. If they don't — and this is the stick that non-families businesses can always wield — employees can be fired, even from the executive suite.

Conflict is different in family businesses. Rules and processes may exist, but most don't apply to the owners. What's more, key relationships are grounded in the dynamics of the family itself. And families are governed by power far more than structure. Most families operate on a single rule: parents decide and children obey. No matter how imperious they may be, leaders of non-family businesses are rarely as dominant as matriarchs or patriarchs.

This hierarchical arrangement works under normal circumstances, especially since young people leave home to start their own families — where they switch roles and become the dominant figure rather than the dominated one. But in family businesses, in a very real sense, "children" never leave home. Parents dispense love, respect, and other things that people value — and they control wealth and career opportunities as well.

The overlap of family and business is the source of many of the wonderful and unique strengths of family-owned businesses — deeply held values, resilience in tough economic times, long-term orientation towards investment, and the greater loyalty of employees and customers.

Yet those same strengths can be undermined by the way families tend to handle disagreements. Family members often deal with difficult circumstances by withdrawing, avoiding, shaming, or undermining each other. All too often, matriarchs and/or patriarchs try to resolve disputes by forcing everyone to toe the line. If a conflict finally breaks through, it can do so with a pressure that blows the lid off the family's presumed harmony.

Now imagine what happens when a family brings those powerful dynamics over to the business. The result is that there is nothing to stop a fight once it gets going. The owners of the business can rewrite the rules, or ignore the processes — threatening the very success of the business.

Does this mean that members of a family business are fated to bide their time until their relationships erupt into a bitter fight? Not at all, and this is the good news. Once we understand that intense conflicts result from the relative absence of formal boundaries on behavior, we see that they can be avoided through an infusion of greater structure into the situation.

In one client situation, for example, we helped the siblings to solve their extremely disruptive disagreements by developing a family employment policy that identified rules for the entry of their children into the business. We also worked with them to establish a board that would be a forum for making tough decisions, with trusted outside directors incorporated as a way of mitigating sibling disputes.

This infusion of structure into the sibling relationship allowed them to stay in business together. It wasn't smooth sailing. They still had their conflicts, but conflict is necessary for any business to survive. When it is well managed, conflict doesn't make for good headlines. But it can build up a family business rather than tear it apart.

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