



Institute for  
Family Business  
with UCG

# Family Business Challenges

## Managing Differences



## The *Family Business Challenges* series

This guide is part of the *Family Business Challenges* series commissioned by the IFB Research Foundation. The series offers practical guidance for family business owners seeking to manage the unique challenges and opportunities they encounter.

The series provides concise information on a broad range of topics – covering family business dynamics, governance, performance, succession and family business wealth.

Each guide, which is illustrated by a real-world case study, is divided into three sections:

1. **Defining the challenge** – clarifying the issues and summarising expert thinking.
2. **Actions to consider** – ideas and strategies to help family business people meet the challenge.
3. **Resources** – annotated further reading.

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## The publisher

### About the IFB Research Foundation with UCG

The IFB Research Foundation with UCG is a charity (no. 1134086) established to foster greater knowledge and understanding of family firms and their contribution to the economy and society, as well as the key challenges and opportunities that they face.

The Foundation's vision is to be the UK's centre of excellence for family business research, and to this end its publications are designed to create a better understanding of family business for the benefit of all stakeholders. Alongside *Family Business Challenges*, its work covers a broad range of publications, including:

- *Family Business Sector Report* – benchmarking the size and importance of the sector.

- *Family Business Research and White Papers* – thought leadership on key family business characteristics and issues.
- *Family Business Case Studies* – showcasing family business exemplars.

The Foundation disseminates knowledge and best practice guidance through printed publications, online media accessible via the IFB website and other activities, including the IFB Research Foundation Annual Lecture.

### About the IFB

The Foundation works closely with its sister organisation, the Institute for Family Business, which is a membership association representing the UK's family business sector. The IFB is a member of FBN International, the global network for family businesses.

[www.ifb.org.uk](http://www.ifb.org.uk)

# Managing Differences

## 1 Defining the challenge

**Family businesses are especially vulnerable to conflict.** Within an enterprise, expressing conflicting views is encouraged as a healthy part of business creativity, but business families are often wary about this. Family members usually prefer to avoid disagreeing with each other and this suppresses normal communications.

**Unresolved relationship issues can trigger conflict.** Family conflict, especially when concealed, can “explode”, spilling over into the business. Also, arguments sometimes pass down the generations, their roots lost in family mythology, with quarrels triggered by surprising and seemingly unrelated events. But regardless of how they’re “dressed up”, most family conflicts involve relationship issues.

**Common causes of conflict.** It’s not hard to predict potential battlegrounds for business families:

- **Family psychology let loose in the business.** Sibling rivalry and inter-generational conflict are normal, arguably healthy parts of growing up. Usually they fade when family members “grow apart” and take their separate paths in life, but family businesses can “lock” rivalries in place.
- **Entitlement culture.** Where the next generation feel they have a right to a well-paid career in the business.
- **Unconfirmed or false assumptions.** For instance, “Some day this will all be yours” ... but will it? Seniors sometimes make “promises” like this when the next generation are pressing them to retire.

- **Money matters.** Disagreements about remuneration and rewards. These can include seniors taking money from the business to provide financial security in retirement, which may be seen by the younger generation as depriving the company of resources for investment.
- **Culture-based conflict.** Such as sons being favoured over daughters, regardless of talents and skills.
- **The role of in-laws.** Often welcomed into the company to increase the family talent pool, although sometimes barred from involvement. Spouses can provide a source of conflict in family businesses.

### **Preventing and managing conflict.**

Business families need to create and maintain positive, healthy relationships. They need to understand how conflict arises – particularly the special tensions created by being in business together – and be prepared to work as a team to monitor the causes of conflict, build trust, and prevent or solve problems.

**Spotting this foreseeable challenge.** Family business conflict will surface from time to time – it’s a foreseeable challenge. Keeping an eye on potential hotspots and risk factors provides an opportunity to think about where the next problem may arise so you can address it in advance.

### **Building a conflict prevention environment.**

- **Maintain clear values and vision.** Conflict often arises when values and priorities become confused or are disregarded, so keep family values and goals under review. This reinforces family commitment, respect and trust.

- **Communicate.** Improve your communication skills and create opportunities for constructive family dialogue. This helps identify and resolve issues before they escalate into conflict.
- **Encourage honesty and transparency.** Families can be prone to secrecy and “hidden agendas”. A family culture of integrity and openness promotes engagement, confidence and collaborative thinking. (See Exhibit 1 on respecting individual growth and development.)
- **Establish governance protocols.** Lay down written rules about how decisions are to be taken and disputes quickly resolved. This depersonalises and de-emotionalises the process. (See Exhibit 2 on governance and conflict management.)

### Exhibit 1: Respecting each individual’s growth and development

“Many feuds are the frustrated cries of siblings who think that the family has thwarted or frustrated their development. They are not encouraged or supported in their attempts to do something well, and have often been brought up to see validation in terms of being given power or money, rather than in the satisfaction that comes from doing something on their own. Families who have a clear expectation of outside employment, and support for heirs who take up many forms of work, are less likely to fight over pieces of a smaller pie. Competent and confident people tend to feel less need to blame others and are more willing and able to compromise and see the other’s perspective.”

Source: Dennis T. Jaffee (2010) *Stewardship in Your Family Enterprise: Developing Responsible Family Leadership Across Generations*, published by Pioneer Imprints, p.116.

**What if prevention fails?** Where conflicts do arise, families need to intervene decisively to prevent polarisation, stop situations running out of control and to repair relationships. Remember:

- With suppressed family conflict, years of genuine and imagined grievances may have to be “unpacked” before there’s any chance of dealing with the real problems.
- The impact of sibling or inter-generational rivalry can be reduced by giving protagonists managerial autonomy within the company, providing space to grow and mature.

**Take outside advice.** Sometimes there’s so much “history” and positions have become so entrenched that the family alone may struggle to deal with the situation. In these cases they should seek outside help from specialist family business advisers.

### Exhibit 2: Good governance and effective conflict management

“Experience shows that those who agree when things are going well how they will deal with any differences that may arise between them in future stand a much better chance of keeping their conflict circle virtuous. Good governance is crucial to effective conflict management; equally, good conflict management is a fundamental part of effective governance.”

Source: Ian Marsh (2009) “Conflict management and dispute resolution”. In Part VII of Ian Macdonald and Jonathan Sutton (Eds.), *Business Families and Family Businesses: The STEP Handbook for Advisers*, London: Globe Law and Business, pp.229–240.

## 2 Actions to consider

- Education: How well do members of our family understand the sources of conflict?
- Governance: Have we developed a structured framework for family and corporate governance?
- Communication: How often – and how well – do we communicate as a family?
- Empathy: When tensions arise, how good are we at putting ourselves in others' shoes and understanding how they see things?
- Rules: What processes do we have for dealing with conflict?
- Decisiveness: How good are we at addressing problems quickly, or do we tend to put things off?

### Case study: Linn Products

Ivor Tiefenbrun MBE founded the Glasgow-based music and home cinema systems company Linn Products in 1972, but in the early 2000s illness forced him into temporary retirement. His son Gilad then joined the company after an initial career in related high-tech businesses. “It was not planned that we’d work together,” Gilad explains, “in fact it was a pre-condition of me joining that we would never work together, because we both recognised how this would surely lead to conflict.”



Ivor and Gilad Tiefenbrun

A wise friend recommended Gilad take an owner-managed education programme at Harvard Business School, which he completed in 2008. Then, with health restored, Ivor rejoined the business, and it was at this point that father and son grasped the nettle of how to set about building a working relationship. Gilad’s studies supplied helpful ideas about communication and

governance in family firms, and they quickly established an independent board, including non-family non-executive directors, with Ivor as Executive Chairman and Gilad as MD.

But it was at a personal level that father and son had to work hardest. Instead of informal conversations, which tended to deteriorate into spontaneous conflict, they set up regular, diarised, agenda-based meetings with each other. These meetings – held weekly for the first year, and now every two to four weeks – have served to “de-emotionalise” their working relationship by providing structure and discipline. But they’ve also helped change Ivor’s ad hoc “founder’s approach” to running Linn Products – tried and trusted (and thoroughly appropriate) in the early years of the business, but now needing modifying in favour of a more collaborative and professionalised approach.

“In effect,” says Gilad, “what we’ve done is to make sure that it’s no longer all about father and son. We’ve replaced informal father–son interactions, which were a recipe for conflict, with solid structures and procedures that are more like chairman and managing director relationships found in non-family companies. There’s obviously still tension from time to time, but the framework is now in place for managing our differences in a much more effective and thoughtful way.”



## 3 Resources

### Articles and reports

#### **Conflicts that Plague the Family Business**

Harry Levinson, *Harvard Business Review*, March–April 1971, 90–98.

Although written more than 40 years ago, Harry Levinson's pioneering article is still the best starting point to understanding the main causes of conflict in family companies.

#### **Making Peace Between the Generations in Family Businesses**

Thomas Davidow and Richard Narva (available at [www.tdavidow.com](http://www.tdavidow.com)).

Inter-generational conflict in family businesses is often caused by different work ethics, beliefs and values. This article examines the issues and offers practical insights for helping to resolve conflict.

### Books

#### **Siblings and the Family Business**

Stephanie Brun de Pontet, Craig E. Aronoff, Drew S. Mendoza and John L. Ward, published by Palgrave Macmillan (2012).

Includes advice on managing sibling rivalry – being aware of its causes and taking steps to control conflict..

#### **Unconventional Wisdom: Counterintuitive Insights for Family Business Success**

John L. Ward (editor), published by John Wiley & Sons (2005).

See Chapter 7, “Resolving Conflict in Family Businesses: Don't Be a Hostage to Family Harmony”, by George Kohlrieser. An unusual and thought-provoking discussion of conflict in family businesses.

#### **Family Wars**

Grant Gordon and Nigel Nicholson, published by Kogan Page (2008).

Dramatic stories of conflicts and feuds that have threatened to bring down some of the world's greatest businesses, including (in Chapter 9) advice on managing family business risks.

# Family Business Challenges

The *Family Business Challenges* series of guides offer practical guidance for family business owners. Each guide identifies issues commonly faced in a particular topic area, suggesting strategies for managing the tensions and competing demands that arise. Titles include:

## Family business dynamics

- Understanding Family Business
- Maintaining Family Values
- Developing Stewardship
- Promoting Sustainability

## Family governance

- Managing Differences
- Building Family Governance
- Strengthening Family Communication
- Fostering Responsible Ownership
- Managing Communication:  
Owners and the Board

## Family business performance

- Fostering Entrepreneurship
- Professionalising the Board
- Maximising People Capital
- Employing Advisers

## Family business succession

- Engaging the Next Generation
- Planning Succession

## Family business wealth

- Selling the Family Business

Growing successful enterprises  
for generations to come

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