

people in focus

The Grant Thornton Brisbane periodical
focussing on people and
relationship issues in management

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In this edition of **People in Focus**, we look at methods for dealing with family conflict...

The statistics on the attrition rate for family businesses as they pass from one generation to the next are that only one third of family businesses continue past the founding generation and only 10-15% pass to the control of a third generation.

Based on our experience of family business, we suggest that the key to long term business success lies in robust and effective business planning. In family businesses, this planning must incorporate emotional issues as well as operational issues so as to avoid the destructive impact of interpersonal conflict.

In family businesses, conflict often stems from the incompatibility of family relationship dynamics and business relationship dynamics. A business model encourages productivity and profitability whereas a family system encourages nurturing and acceptance. Family business members are effectively asked to manage these dual roles simultaneously. While conflict may manifest itself in a dispute over a tangible business issue, there is often an underlying emotional cause for the conflict.

Rough estimates suggest managers spend around 20% of their time managing conflict. Devoting some of this time to preventative measures can reap huge benefits for your business. We suggest some of the measures listed below.

Strive for a win-win

Perhaps the first step is to turn around your attitude to conflict. Of course the emotions caused by conflict are often unpleasant but a business leader must focus on striving for a 'win-win' outcome.

Recognise that conflict can force a much broader range of issues and opinions to be considered by decision-makers. Additionally objections and reservations must be addressed. Ultimately a more robust decision will result.

Identify likely sources of conflict

In family businesses, there are a few issues that are the 'usual suspects' for causing conflict. Business leaders can examine each of these areas to try to identify and prevent interpersonal conflict.

Communicate decisions

All family members working in the business will feel that to some extent their livelihood depends on the business. It is therefore important that they are aware of significant decisions and developments in the business, and the rationale behind them. If not, they will feel shut out and may vent this by being highly critical of the changes.

Significant changes to the business' operations should be broadcast regularly through meetings, presentations and confirmed in staff newsletters or via email updates. Emerging conflict should be raised and addressed in a mediated, confidential forum.

Obtain everyone's view for the future

Each generation or family member may assume that the others visualise the future of the business, and their role in it, in the same way. If changes are implemented based on inaccurate assumptions of the individual's wishes, that individual will feel their needs are not being considered.

Preventing and resolving conflict...

Promote equality

Promotions and salary levels can be a source of resentment and unhealthy competition if they are seen to be awarded on favouritism rather than merit.

It is important that every family member is aware of their own and each other's role in the business. Comprehensive job descriptions facilitate this understanding. Communicating a policy of meritocracy should establish a realistic expectation in terms of equality and promotion.

Keep business and home separate

Understandably, in family businesses, individuals can take workplace stress home with them, or family-related stress into the workplace with them. This is sometimes called 'spillover theory'.

Many family businesses have found it helpful to lay down some 'house rules' to set acceptable limits for cross-over between work and family issues. For example, advise individuals that they are not to raise or pursue personal disagreements at the workplace or at work-related functions. Individuals may also choose to limit discussion of work issues at home to provide some further separation between work and family life.

Undertake a formal succession plan

So many emotional issues are tied up with the notion of succession. The business owner will be concerned over their financial wellbeing in retirement and for the health of the business once they have stepped down.

Other family members will make an instinctive emotional judgement about who would make the best successor for the business, and may feel that they should be considered for the role. A formal succession planning process will address all of these issues and formalise the agreed approach.

Introduce a neutral third party

Sometimes the measures outlined above can prove difficult to implement without the assistance of a neutral third party. The cost of obtaining a facilitator and mediator will be far outweighed by the benefits of defusing conflict that could potentially derail the business.

Should you or your family business wish to discuss further any of the issues raised in this newsletter and even undertake a formal succession plan with our experienced staff, please contact your Grant Thornton adviser.



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