

Families Fight

Conflict in families is normative, but when conflict erupts in families who own significant enterprises, virtual economies can hang in the balance. Employees, suppliers, customers, and the communities where they live, watch with bated breath while the owning family's drama unfolds. Conflict in these families often takes one of two forms: either it is open and notorious, with the business serving as a chess board where family power dynamics are played out to the media's delight, or the family finds it is frozen, unable to move or make decisions when confronted with crisis or just the ordinary and predictable forces of change.

Families with significant levels of wealth are invariably surrounded by a complex network of advisors and I have personally served in several of these roles over the course of my career: lawyer, financial advisor, trustee, family office executive, banker and even the proverbial bottle-washer, at times. It has been my observation that no matter how brilliantly organized and advised a family might be, if the family is unable to manage the very naturally occurring conflict within, there will be rupture. Some ruptures present existential challenges to the family business – and worse, to the family itself. It has also been my experience that advisors in the branches of service to these families are rarely taught how to address family conflict. Nor are family members equipped with the tools for managing their own systemic conflict.

So, while conflict in business owning families is not new, what is new is that Doug Baumel and Blair Tripp have written a book for advisors and family members alike, on managing complex, family based conflict: *Deconstructing Conflict - Understanding Family Business, Shared Wealth and Power*.

Unpacking systemic, identity-based conflict

The authors are not talking about simple disputes over “things”. They address the systemic, identity based conflict that is rife in families. This conflict strikes at a member's sense of self; threatening, denying or disrespecting their sense of identity. These conflicts have more in common with geopolitical and ethnic conflict than business or civil disputes. Because identity-based disputes are abstract and intangible, they often “masquerade” as disputes over material resources and appear to look simpler than they actually are.

Family enterprises (including families with shared investments and a family office) are absolute treasure troves of this type of conflict. Wealthy family members find themselves caught up in complex structures (trusts, holdings companies, shareholder and buy-sell agreements, etc.) designed to shield and pass wealth across generations, but these same structures can also serve to create alliances and power dynamics that enflame the ready kindling of family rivalries. Add shared ownership of a business or other investments to the mix and the inherent, overlapping roles and clashing interests – *et voila* – conflict! As the saying goes: *The reason your family is so good at pushing your buttons is because they installed them in the first place!*

Passive vs. active conflict

Conflict in these families rarely presents as open warfare. No group is better at camouflaging disputes than the wealthy. There seems to be a virtual epidemic of good manners among the rich. I never confuse a family that appears warm, fuzzy and close, with a family that is managing its conflict well. In fact it takes some time with a family to establish whether their polite exterior might in fact be a Potemkin Village of emotion, hiding simmering discontent and historic wounds beneath.

Passive conflict in families can be just as destructive as active conflict – and possibly more so, because it is harder to “diagnose.” Yet the symptoms of passive conflict are clear: family members retreat from and even cut-off relations, they tiptoe around issues, look the other way, create workarounds and silo themselves in acts of avoidance. All of these behaviors rob the family of opportunities to learn the skills of collaboration that are critical to problem solving. When problems fester, families get stuck. They stop evolving and growing. Being frozen makes a family highly vulnerable when faced with even the most predictable change, let alone serious external threats.

The “Family Factor”

The authors reinforce the point that being a family that can navigate generational transition does not require members to like each other.

More important is what they call the “Family Factor,” a combination of shared family history (something to lose), a clear vision for being a family

in the future (something to gain) and trust. It is worth noting that the trust they describe as critical is simply the predictability of behavior that comes from understanding someone's motives and goals. (It is not the belief that the other has your best interests at heart.)

This triad of factors (shared history, vision for future and trust) provides a powerful barometer to a family's ability to weather active conflict when it arises. With a high Family Factor, members can suspend their own self-interest in pursuit of a common family goal, they can compromise and build a commitment to change.

The Conflict Equation

Acknowledging that conflict cannot be eliminated in families, the authors suggest a system for managing it: the **Conflict Equation**. I was skeptical that something as inherently complex, non-linear and qualitative as conflict in families could be reduced to a formulaic exercise, but the authors are clear that their approach is not mathematical, but rather serves to provide helpful categories with related checklists and questions to ensure every possible driver of family conflict is considered. Then, by organizing these components into an equation, they provide a framework for understanding how components are inter-related, and which are the most powerful. The only math required is the understanding that, directionally, anything that increases the numerator increases family conflict, and anything that increases a denominator moderates conflict. It is also useful to know multiplication is more powerful than addition.

Components of Conflict

In this framework, categories are comprised of factors that accelerate conflict, moderate conflict, trigger conflict and are environmental and uncontrollable.

Factors that accelerate family conflict:

- Interdependency of family members - collectively owned assets, trustee beneficiary relations, etc.
- Opposing goals – goals that can not be satisfied simultaneously
- Conflicting values
- Historical impasses

Factors that moderate conflict:

- High "Family Factor"
- Releasing blame – forgiveness
- Development approaches - both structure and individual (Discussed below)
- Dispute Resolution techniques (Discussed below)

Triggers

The most common trigger causing family tensions to erupt into open conflict is disrespected power. To help unpack this complex dynamic, the authors use Raven & French's Bases of Social Power model which identifies 5 types of power by source and examines how each can be misused. The misuse of power may be real, or perceived. Either way, it can lead to conflagration in families. Often in families, issues arise when a sibling is given power on the death of an elder, and tries to exercise the same type of autocratic, dictated decision-making over brothers and sisters that the parent used. Let's face it, all-powerful parents can make very poor governing role models for their successors in the rising generation. I have found coaching on how to exercise power with peers is particularly useful. On the flip side, mentoring family members who are not in power on coping skills and understanding and respecting the legitimate use of power is also often useful.

"Uncontrollables"

These two drivers, time and external factors, while not subject to the control of the family or its advisors, warrant close consideration in developing a conflict management plan because they may preclude or dictate options. (For example, a potential approach may require a great deal of time, which may not be an option due to situational urgency.)

Crafting a Plan to Manage Conflict

Throughout, Baumoel and Trippe make a powerful case for developing a fully informed, strategic and integrated plan for managing conflict in families, and provide the step-by-step framework for doing this. They caution against addressing quick fixes without a larger, integrated understanding of what that quick fix might do to the conflict level. A bit like whack-a-mole, fixing one seemingly isolated point of dispute could unexpectedly set the system on fire. For just this reason, the Conflict Equation provides a holistic view of conflict in the family system. Once

mapped, it is much easier to be strategic, not just tactical in managing family conflict.

Family disputes differ from commercial disputes in one very fundamental way - they involve people with important relationships that need to continue beyond the resolution. The authors recognize this “criticality of continuing relationships,” and go on to explain at length why many well-known dispute resolution tools (arbitration, mediation, litigation, etc.) are ineffective, if not counterproductive, in resolving identity-based family conflict. What they do champion as having the highest potential for success in managing conflict is growing the family out of conflict.

This can be done with a combination of tools and approaches, several of which are drawn from the existing body of family advisory work. These tools include 1. Nurturing and enhancing the Family Factor, 2. Releasing blame/forgiveness, 3. And developmental work.

Development is the process of growing (rather than forcing or negotiating) the family and its enterprise out of conflict. Development work, as it relates to family members, encompasses a broad swath of learning and development, coaching, assessment, and interventions that help a family build skills, capacities, empathy, resilience and functioning. In the context of the family’s enterprise, development work looks to find places where legal structures inadvertently and needlessly trigger conflict. Structural development for family business can encourage objective decision-making, discourage conflicts of interest, increase professionalism and transparency, foster the prudent use of power and build respect for that proper use.

Development provides unrivaled opportunities to influence all the controllable components of conflict. The authors provide useful insights into how a developmental approach can be used to:

- Help family members reframe and reconcile their shared history where impasses exist.
- Help the family build a vision for the future in which every family member can see positive reasons to participate.
- Help family members build deeper understanding of each other’s motivations and objectives so that actions are more predictable and reliable leading to the kind of trust that is required to navigate conflict.

It has been my experience that the use of a **family council** to base this development work provides the controlled forum, equality of voices and regularity of gathering that are required to help a family integrate its learning, build new habits, craft a shared vision for the future, grow predictability and reframe historic impasses. The Family Council is where eruptions of naturally occurring conflict can be managed.

Deconstructing Conflict provides a new look at an age-old challenge, that of managing conflict in families where identity-based conflict is in-play and important continuing family relationships are at risk. It provides a highly practical framework for rationally assessing the conflict ecosystem surrounding a family, and a methodology that integrates a number of existing tools and practices into an approach for helping a family evolve out of that conflict. This book has wide applicability for “learning families” who want to build skills before predictable conflict arises, for families already experiencing destructive conflict who are seeking a way through, and for advisors, in service to these families.



Mary Duke is an internationally recognized adviser to families navigating the complexities of substantial wealth. She is known for her deep understanding of the impact of trusts on families and generational dynamics in family enterprises. She has an excellent track record for helping families leverage learning and governance for more effective collaboration and decision-making in their families and the businesses they own.