

Entrepreneurship

Conflict in family business and its resolution

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Meaning of Family Business

A **family business** is an enterprise owned, controlled, and managed by members of the same family.

Examples: Tata Group, Reliance Industries, Birla Group.

While family businesses have strong trust and long-term vision, **conflicts are very common** due to emotional and personal involvement.

Meaning of Conflict in Family Business

Conflict refers to disagreement, misunderstanding, or clash of interests among family members involved in the business.

- It may arise due to:
- Difference in opinions
- Emotional attachment
- Mixing of family and business matters
- If not handled properly, conflicts can damage both **business performance** and **family relationships**.

Causes of Conflict in Family Business

(a) Succession Issues

- Disputes over **who will take control** after the founder
- Lack of clear succession planning
- Rivalry between siblings or cousins

(b) Role Ambiguity

- No clear division of duties
- Overlapping responsibilities
- Interference in each other's work

(c) Ownership and Control

- Unequal shareholding
- Disagreement between owners and managers
- Conflict between active and non-active family members

(d) Compensation and Benefits

- Unequal salaries and perks
- Feeling of favoritism
- Mixing family expenses with business expenses

(e) Emotional and Personal Issues

- Ego clashes
- Past family disputes affecting business decisions
- Lack of professionalism

(f) Differences in Vision and Strategy

- Older generation prefers traditional methods
- Younger generation prefers innovation and risk-taking

Types of Conflict in Family Business

- 1. Task Conflict** – Related to business decisions and strategies
- 2. Relationship Conflict** – Personal and emotional disputes
- 3. Generational Conflict** – Between senior and junior family members
- 4. Ownership Conflict** – Between shareholders and managers

Effects of Conflict on Family Business

=> Negative Effects:

- Poor decision-making
- Loss of trust and unity
- Decline in business performance
- Legal disputes and family break-up
- Damage to company reputation

=> Positive Effects (if managed well):

- Better ideas through discussion
- Innovation and improvement
- Clear roles and responsibilities

Resolution of Conflict in Family Business

Conflict resolution means **reducing or eliminating disputes** in a constructive manner.

(a) Clear Role Definition

- Proper job descriptions
- Authority and responsibility clearly defined
- Avoid overlapping roles

(b) Succession Planning

- Written succession plan
- Training next generation in advance
- Transparent decision-making

(c) Family Constitution

- Written document covering:
 - Values and vision
 - Rules for entry and exit
 - Salary and ownership policies
- Helps avoid misunderstandings

(d) Professional Management

- Appointment of non-family professionals
- Objective decision-making
- Reduces emotional bias

(e) Regular Communication

- Family meetings
- Open discussion of issues
- Encouraging healthy dialogue

(f) Mediation and Arbitration

- Involvement of neutral third party
- Legal experts or family business advisors
- Peaceful settlement of disputes

(g) Separation of Family and Business

- Family issues should not affect business decisions
- Business meetings should be professional
- Maintain discipline at workplace

Role of Leadership in Conflict Resolution

- Leader should be fair and unbiased
- Encourage teamwork and mutual respect
- Focus on long-term survival of business and family harmony

Conclusion

Conflict in family business is **natural and unavoidable**, but if managed properly, it can become a **source of growth and strength**. Effective communication, clear rules, professionalism, and proper planning are essential for successful conflict resolution and continuity of family business.