



The family business

10 strategies for keeping sibling rivalry in check

Ken and Sarah, siblings in their late 30s, became business partners after their father, Bob, retired from the real estate development business he founded. Ken, who had been with the company for more than 10 years, was displeased that his father made Sarah — who'd been with the company for only two years — a 50% co-owner. Sarah had an MBA and several years of experience as an executive at a Fortune 500 company, and she felt that the family business needed to make some major changes to boost revenue and control costs. The result was constant conflict and power struggles that left Bob concerned about the fate of his children's relationship — and the company's future.

Bob's situation isn't unique. Transferring ownership of a business to multiple adult children can be a delicate proposition, particularly when it comes to determining roles and responsibilities and encouraging teamwork. Let's take a look at what steps you can take to keep sibling rivalry in check and ensure your company's continued success.

Common sources of conflict

There are many factors that can contribute to sibling conflicts, power struggles and, ultimately, a failed succession plan, such as differing:

- Visions for the future of the business,
- Business strategies,
- Management styles,
- Personalities, and
- Values.

One sibling's lack of faith in a partner's ability to perform his or her job is another common source of conflict. And if a business is having financial issues, that can magnify all of these conflicts.

In most cases, sibling partner conflicts aren't about only business matters or only personal issues. They generally are a result of interpersonal issues combined with matters related to management, finances and ownership.

How to mix business with family

There are several ways to improve communication, resolve conflict and create effective business relationships among siblings. Before you hand over the reins to your heirs, here are 10 strategies to help lay the groundwork for a successful partnership.

1. Engage in strategic planning. This will help establish a shared vision of the company's future and provide a foundation for each sibling's role and responsibilities. The process also will help reinforce goals and values and identify areas of disagreement that may require some attention.

2. Establish a leadership model. You and your children should decide on a basic leadership model and spell out how it will work both day-to-day and long term. You aren't limited to one sibling taking on the role as leader. For example, your heirs could be co-CEOs, or they could designate a leader for a set period of time and then rotate the position to another qualified sibling.

3. Share the power. Regardless of who is CEO, each partner should have a degree of power — particularly within a well-defined niche or area of expertise — and the authority to respectfully challenge the designated leader. Partners should listen to all points of view, accept the final decision and work toward its implementation.

4. Put historical information in writing. All too often, important and historical knowledge and practices are stored in the mind of the founder of the business. It's essential to document a company's core competencies and establish systems, processes and structures to help ensure sustainability of the company. This can be helpful to reduce disagreements about what really happened in the past, and can provide guidance with respect to decisions about the future of the company.

5. Create communication agreements. Good communication is key to successful sibling relationships, but good communication practices don't just happen. A communication agreement can help create a culture in which effective communication becomes an everyday practice by documenting how partners should interact, resolve disagreements and make decisions.

6. Don't rely on consensus. Many family business owners prefer to reach decisions by consensus. But when consensus is difficult to reach, important decisions could be delayed. In these instances, siblings should agree in advance on who will break a tie and set a deadline for making the decision.

7. Establish an outside board. Another alternative to deal with a deadlocked group is to have independent advisors on hand to facilitate debates and provide a resolution when partners are unable to agree.

8. Document everything. All agreements, such as those pertaining to compensation, responsibilities, stock transfer capability, and the disposition of stock in the event of death, disability or retirement should be recorded on paper.

9. Get away. Schedule periodic business retreats to provide a forum for introspection, problem solving, planning and policy making. Retreats also can provide a private environment to discuss concerns and deal with family issues that are affecting the business. Choose a facilitator with experience working with family-owned businesses to help initiate solutions and compromises that create balance between family and business priorities.

10. Agree on an exit strategy. One sibling may choose to retire or withdraw from the company altogether. An exit strategy can help spell out the conditions for withdrawing or eliminate a sibling's potential retirement concerns, such as maintaining his or her lifestyle or relinquishing his or her control of the company.

Siblings should be encouraged to joke around and recall childhood stories when appropriate — continuing to laugh and have fun can offset the pressures of the business.

Play nicely together

Implement these strategies to help create successful business relationships among your children, foster the continued success of your company and provide fulfilling careers, work-life balance and financial security for generations to come.

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