Predictable Yet Not Inevitable: Archetypes of Potential Conflicts in the Family Enterprise

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During recent work with a large, 4th generation family enterprise, the topic of family conflict came up. It wasn't so much that the family was currently experiencing conflict as much as conflict in a prior generation had at one point threatened both business viability and family cohesiveness. In response to my rather pithy axiom that "conflict in a family business is predictable but not inevitable," one G4 member sincerely asked, "But what are some of those predictable conflicts?"

As I paused to respond, I realized that her question was simultaneously a very good one and one that doesn't necessarily lend itself to a simple laundry list of potential conflicts because individual families and their histories are as varied as they are unique. Indeed, every family enterprise is as unique as the families who own and operate them and potential conflicts are simply a part of owning and operating a family business.

While smaller, even ongoing, disagreements might be more easily managed within a short timeframe, the more difficult conflicts tend to emerge and develop over time, often enabled by a strong commitment to not pay them any direct attention. This dynamic is further supported by tacit "rules" commonly held by family members around historically "undiscussable" topics or behaviors and the assumptions family members hold around any number of topics and concerns about the business.

In addition, there are common environments that might incubate potential conflicts ranging from unclear succession and continuity plans to growth and maturity of the enterprise to naturally occurring paradoxes that make up the day-to-day state of most family enterprises (i.e. upholding a rich family tradition while simultaneously embracing change; honoring elders while welcoming younger people, etc.)

In his book, *The Fifth Discipline,* MIT Professor Peter Senge[1] discusses Systems Thinking as a way to better understand organizations and how human behavior tacitly influences them. Based in the engineering field, Senge's view of Systems Thinking highlights several recurring themes or system archetypes[2] that represent predictable patterns or common "storylines" of behavior in organizations. These patterns almost always result in some level of inefficiency or degree of conflict within an organization.

Systems Thinking's archetypes or patterns also provide a unique application to the family enterprise, particularly around the predictable conflicts that many families associated with a successful, multi-generational enterprise might recognize. What follows are three broad systems archetypes in which conflicts within family enterprises can commonly emerge over time. They include questions that families might consider together to keep them in check.

Fixes that Fail: Values Creep

According to Senge, the Fixes that Fail archetype is when a challenge demands attention. A solution is quickly implemented that alleviates the challenge, but carries with it an unintended consequence that over time can create new challenges.

Managing and enjoying family wealth while actively upholding more historically conservative or traditional family values is important to many families. One of the most often stated reasons to do so is a desire to avoid an "entitled" next generation. While wealth brings potentially more options to a family in terms of travel,

vacations, cars, flights, help around the house, etc., over time it can also shift a family's core values, perhaps of hard work and humble lifestyle of grandparents, from being actively practiced to being simply, if wistfully, espoused or upheld in word only. Without much tangible day-to-day activity demonstrating historic family values, new norms of behavior develop that eventually displace older answers to the question, "what's most important to us as a family?" This can result in the deterioration of the very values that underpinned both the family and the growth of its enterprise.

It is important for families to continue to ask themselves and talk together about what is "most important" to them. These conversations can help them balance the heritage and legacy of deeply held values handed down from subsequent generations with the success of the business and the opportunities it brings to family members. They also might ask to what extent aspects of their lifestyle are inadvertently teaching their children new norms or expectations that are outside core family values.

Shifting the Burden: Fairness and Equality

The Shifting the Burden archetype usually begins with a problem symptom that prompts someone to intervene and "solve" it. Professor Senge described this archetype as a solution that is usually obvious, immediately implementable, and usually relieves the problem symptom very quickly. In this archetype, these symptomatic solutions can cause the viability of the fundamental solution to deteriorate over time, reinforcing the perceived need for more of the symptomatic solution.

As a simple problem symptom, parents are well trained early on by their young children in the art and science of equal distribution of goods and services as a simple, if obvious, fair practice. However, when it comes to business ownership or employment, for example, that same solution that worked with young children or adolescents of equally dividing everything will not work the same way when dealing with adult children in the context of a family business. Divvying up shares or jobs without clear strategy or policies in place may not serve the family, the business, or even individual family members.

In the family, how has the relationship between fairness and equality been historically lived out; what are the expectations from the next generation? How might we best separate and reapply the principles of equality and fairness in the context of successfully maintaining and growing the family enterprise? To what extent are the qualifications for employment in the enterprise, understood and upheld by all family members? How are performance reviews handled for family members working in the enterprise? How will ownership in the company be handed down or sold to the next generation? Do all children receive an equal number of shares regardless of interest or direct involvement in the business?

Tragedy of the Commons: Perks

The archetype, the Tragedy of the Commons, always begins with people benefiting individually by sharing a common resource. At some point, the amount of activity around the resource grows too large for the "common" to support and it ceases to be a resource.

According to the Cambridge Dictionary,[3] perks are "a special advantage or benefit in addition to the money you are paid that you are given because of your job" or due to your membership in the family, we might add. While perks are seemingly harmless and usually begin as a matter of practicality, clarification and guidelines will be needed as families grow and more family members come to expect those perks in order to avoid potential conflict among family members (see Fairness and Values Creep above). What are the specific perks family members, including spouses, expect? How will those perks be managed as the family grows? Who gets a company car or truck? To what extent might family members fill vehicles with gasoline (onsite or otherwise)? Under what circumstances, if any, will loans be made to family members and under what terms? How are homes paid for? Who pays the taxes? What are the perceived variations in home quality, value, size, etc.? Who pays for repairs, utilities, etc.? Can family members purchase or be granted land held by the enterprise? Who goes on business-related trips and what kinds of travel and entertainment budgets are involved (who gets to go where and what is paid for by the enterprise?)

While these archetypes and their related scenarios do not within themselves represent inevitable conflict, they do represent times in which conflict can emerge, particularly if the family will not or feels like it cannot talk together about them. Whether brought on by growth, succession, paradox or poorly informed assumptions, building awareness of the system patterns that commonly develop within the family enterprise is a step in the right direction to proactively anticipate predictable conflicts in a way that diffuses their inevitability.

[1] Senge, Peter (1990) *The Fifth Discipline: The Art and Practice of the Learning Organization*. Crown Publishing Group, New York, NY.

[2] Descriptions of system archetypes also from T*he Systems Thinker Toolbox*. Pegasus Communications, Cambridge, MA 1990.

[3] Cambridge Dictionary. www.cambridge.org

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