



Family Business, Conflict, and Lessons for Leaders Everywhere

To BCG's network around the world,

What comes to mind when you think of family businesses? For me, it's Germany's *Mittelstand*, the small to midsize companies that are overwhelmingly family owned but responsible for significant shares of total economic activity, employment, innovation, and more than 68% of German exports.

In fact, family businesses are major drivers of the global economy. Of the top 500 revenue-generating companies in India, 300 are family owned, with a similar proportion in South Korea. In Indonesia, Thailand, Germany, and France, that figure is at least 20%.

But as many of us are well aware, families are likely to face conflict at one time or another. And when your family and your business are one and the same, it's important to be ready to address the challenges that arise.

A new book from my BCG colleagues Janmejaya Sinha, Carol Liao, Ryoji Kimura, and Brittany Montgomery, called [Untangling Conflict: An Introspective Guide for Families in Business](#), looks into how to master the challenges of working in and with family businesses. And even if you're not directly involved in a family business, it's likely that one of your suppliers or customers is, so awareness of such issues can be helpful.

The book is based on the authors' decades of working with leaders of family businesses, as well as the input of 30 such leaders from across Asia. It begins with the clear message that if conflicts are not managed effectively, they can damage family relationships, potential business value, and the broader economy.

Conflict within family businesses is often complex and at times messy. To untangle it, it's helpful to look at conflict in three ways:

- **Soft Issues.** These are the emotionally charged issues within a family that are related to fairness, equality, and respect. While considered “soft,” these issues are often the cause of the most disruptive conflicts within family businesses, as they play on humans’ deepest needs for a sense of safety and continued confirmation of worth and potential.

To manage soft issues, families must develop soft rules. These can include norms of fairness—treating all family members as equal beneficiaries of the business, for example—or a clear understanding of freedoms, such as allowing children to choose their career path. Soft rules are the expectations of how family members interact with and influence one another, and they apply in both family and business settings.

- **Hard Issues.** These have to do with rights of ownership, distribution of benefits, and restrictions that family ownership of a business implies. The family needs to align on and codify rules about how it will distribute the wealth that comes from ownership of the business, perhaps creating a family charter and accompanying structures (such as family councils) to make this happen.
- **Business Issues.** For listed companies in which families are the largest shareholders, family members need to align on strategy, capital allocation, and core business choices before deliberating these topics with the larger board of directors. Sometimes the best way to do this is by setting up a business governance forum.

On top of those three, there can be conflicts that arise between family and nonfamily investors, employees, and partners. To minimize these, it's important to be explicit about the role the family may play in decision making. This creates a more accurate set of expectations for all.

The book offers pragmatic exercises aimed at helping family business leaders untangle different strands of conflict. It's an engaging read, using a fictional family and the business conglomerate it owns to bring to life the diverse types of conflicts that families experience. And the lessons—in strengthening relationships, building a culture of transparency, aligning on purpose, and fine-tuning the art of communication and negotiation—are applicable no matter the type of business you lead.

Please see below for more on this and related topics.

Until next time,



Christoph Schweizer
Chief Executive Officer

Further Reading



Family Business

BCG has the industry knowledge and experience to help family businesses remain a vibrant force in today's economy.

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The Soft Rules of Family Businesses

Conflicts arising from emotions are rarely about material issues like money or other matters of self-interest. These "soft" issues are often harder to resolve than the "hard" stuff.

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Great Family Businesses Need Good Governance

Diam at, sem vestibulum ut mi, consectetur si vitae, etiam sed pulvinar felis erat libero idid sed, leo quis ultricies placera vestibulum sed.

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