

FAMILY BUSINESS DISPUTES... LIKE AN AWKWARD THANKSGIVING?

Family gatherings at Thanksgiving often bring a mix of emotions: happiness at being re-united with loved ones who may live far away, but also sometimes stress over strained family relationships caused by a myriad of reasons.

When family members work together in a business setting, similar ranges of emotions and potential conflicts can arise. While hopefully they experience the joy of working together with a common purpose, sometimes stress and bitterness take over when family members disagree on a vision for the business, or feel they are not being treated fairly by their parents, siblings or more distant relatives.

Family members who are also business partners must juggle both the range of emotions that come from working with a loved one, and also the practical realities of running the business on a daily basis, such as making sure products and services are delivered properly for the customers, training and supervising employees and making payroll, and treating one another fairly in terms of work assignments, compensation and roles in strategic decision-making.

Unlike a large business organization where there are independent professional managers to help make decisions and guide the enterprise, in a family-owned company business decisions can often be viewed, rightly or wrongly, as having a personal undercurrent or bias. Family emotions can cloud business decisions and result in dysfunction and a breakdown in the ability of family members to work together. The same types of emotions can prove corrosive to working relationships in other closely held businesses, even where the partners are not related.

The causes of the breakdowns are as diverse as the family structures. Problems can arise from perceived personal slights, unfairness, or lack of respect, or as a result of multi-generational succession planning, where some members of the younger generation may feel they are not being treated "equally" by the older generation, whether due to differing talents, contributions to the enterprise, lifestyle choices or old-fashioned favoritism of one sibling over another, or of a son over a daughter. Disputes can, and often do, arise between members of the same generation over similar issues. Sometimes the influence of a new spouse can disrupt an otherwise well-functioning family owned business.



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Family business owners may have developed a sense of entitlement to earnings and profits distributions, regardless of their contributions to the business, yet owner-mangers may object to “equal” treatment due to actual or perceived differences in work ethic, economic contributions to the success of the enterprise, or poor decision-making that may hurt profitability. The hard reality is that “fair” does not necessary mean “equal.” The challenge when dealing with family owners is finding the right balance that all will feel is generally fair.

Resolution of the issues can be quite challenging, and usually requires the assistance and advice of outside advisors who are not emotionally connected. Sometimes it results in a business “divorce” where one person or group will buy out the interests of another, or sometimes it results in a separation of business lines so each faction can have a stake in part of the enterprise into the future. Sometimes the only solution is to sell the company and divide the proceeds among the family members.

If you or someone you know is struggling with these types of challenges, whether in a family-owned business or other closely-held company, we would be pleased to share the insights we have learned over many years of working with our clients to resolve these difficult issues. Maintaining the value of the enterprise in the face of painful and sometimes costly disagreements is paramount to finding a resolution that allows people to put the anguish of the family dispute behind them. It may not mean everyone will always be happy together at the Thanksgiving table, but at least people can move on with their lives. For more information and to speak to business attorney and PLDO Partner John (Jay) R. Gowell, call 401-824-5100 or email jgowell@pdlolaw.com.



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