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Key Finding
Conflicts in family firms often stem from a lack of communication and fair process.

Business Application
Fair process – or the lack of it – plays a key role in family businesses.

Family businesses can be the most performant form of business thanks to their identifiable and committed owners. They can also be an environment where conflicts can escalate because of the mix of business, ownership and family context: allocation of jobs to family members, sometimes firing them, sharing information with shareholders and succession. Severe conflicts can be triggered by unexpected wills discovered after the founder's death: one heir receives more than others, or they all receive the same when one was expecting to receive more, or most assets go to a charity or a second spouse. Feelings of unfairness are usually strongly present in these conflicts.

Building on the work previously done by W. Chan Kim and Renée Mauborgne on fair process in business stategy, my colleagues and I illustrate the key role that fair process – or its absence – can play in family businesses. We maintain that *the way* owner families take decisions is as important as the decisions themselves. Fair process enables better decisions and greater satisfaction. As a simple example, more important questions than "Why Johnny and not Sandra?" when considering jobs should be "What are the requirements for the job? Which qualities are expected? How will the decision be taken?" And when considering succession family businesses should ask "Does the next generation want to take over? Are they suited to it? How will they best work together?" In other words, younger family members should be asked how they see their future, instead of having assumptions and decisions made for them.

Five principles support fair process in family firms. Communication and giving voice to all those concerned (e.g. owners should be able to have a say at Annual General Meetings, and on some long-term issues); clarity (e.g. requirements and processes should be explicit for family members' careers in the family business); consistency (these rules should be applied in the same way to all, and changes in decisions should not be made without at least some information); changeability (rules or ownership structures can be revisited, not dictated forever "from the grave"); and a culture of fairness (e.g. not initiating communication with no intention to listen).

Fair process supports meritocracy and gives more chances to family members who are potentially not considered for positions because of their gender or birth order. It calls for effective governance: shareholders' assemblies, boards of directors, family councils, a family charter. Last but not least, fair process fosters communication, which is the glue without which governance hardly functions. The worse cases of family business sales occur when rigid control structures do not leave room for disagreement to be expressed.

Read more: Blondel, C., (2018), "Understanding the Business Family", in *Business Families and Family Businesses*, The STEP Handbook for Advisers, 2nd Ed (forthcoming).
Van der Heyden, L., Blondel, C., and Carlock, R. S., (2005), "Fair Process: Striving for Justice in Family Business", *Family Business Review,* 18(1), p. 21.

Christine Blondel is Adjunct Professor of Family Business and was the first Director of the Wendel International Centre for Family Enterprise. With over 20 years' experience in the field, she has been exposed to hundreds of family businesses through her research, teaching, consulting and board memberships. To know more, visit her website.

Research interests: fair process, multi-generational family firms, transmission, women's roles, the sale of the family business, business and family governance.