

It's not fair! Sibling conflict in family businesses



[Family companies](#) are often strong and stable businesses and well managed ones can stay in family ownership for generations.

However, all families have heard the cry of “it’s not fair” from battling siblings and this can arise in relation to interests in a [family business](#), just as it can in relation to who has got the biggest portion of ice-cream.

These [shareholder disputes](#) can be the hardest to resolve as what is seen as unfair may not be based on commercial thinking but based on resentments linked to historic family grievances or jealousies.

As prevention is better than cure the first step is to consider the likelihood of sibling rivalry in succession planning. Ensuring parity between siblings is advisable, but not always the best solution. A better solution may be to give the business to selected children rather than all of them, compensating the non-shareholding children accordingly. If this is not possible, then can any conflict be managed by the use of a well-drafted shareholders agreement?

If you are too late to do this then managing any conflict to avoid harm to the business must be the priority. A trusted non-family member in a position of authority (e.g. chairman) can be invaluable by being able to view things objectively and diffuse family tensions.

If they are unable to manage warring siblings then the only option may be some kind of de-merger of the business or an exit by one of the battling shareholders. However, if everybody wants to keep the business then a solution may be difficult to find. At that point then legal proceedings may be the only answer, but formal alternative dispute resolution procedures such as mediation should be explored before the litigation button is pressed.



In summary, as any parent will know, battles between siblings can be bloody affairs. Within a company it can be very damaging. If informal methods of resolving the dispute are not effective then there are formal legal routes that can be taken but they are expensive and not a quick solution. If it comes to that then legal advice should be obtained from an experienced lawyer at the earliest opportunity.

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