



PART 1* | STRUCTURAL SPECIALITIES IN FAMILY BUSINESSES



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Family businesses come with a number of special characteristics and differ from other companies in the way that they are subjected to a mutual link and influence between family and company that should not be underestimated.

Companies are further classified as "family companies" if they are owned by one or more families or family associations and if the development of the company is dominated by the determining influence of the family members. The influence of individual or all members of the entrepreneurial family on the company can be effected through different roles, e.g. as member(s) of the board of directors or the shareholders' meeting, as member(s) of the management or as a married family member in each of the aforementioned positions. The definition is independent of company size and based on the degree of influence that family members can exercise. In addition, however, a medium-sized company can be managed quite freely from the influences of the founding family and is not a family business in the narrower sense.

Empirical studies have shown that crises in family businesses, for example, unlike other business forms, tend to be parallel crises within the family and the business, that influence each other. The mood and dynamics within the family of the family business are of major importance in the development of a business crisis. Conversely, it has been observed that a corporate crisis sooner or later also affects family peace. The investigations have shown that so-called stressor factors can be identified. These are, for example, the occurrence of a misstep by a family member decades ago and the subsequent family crises as direct crisis trigger in the family business. Depending on how the connection between the company and the family, as well as their resources and competences in dealing with the respective crisis processes are structured, interactions between family businesses and the entrepreneurial family either result in aggravating or mitigating moments for the crisis. The conclusion can be drawn that the development of a company and the maintenance of family peace in an entrepreneurial family depends on how the mutu-

al dynamics of family influences on the company, and vice versa function. In a corporate crisis, therefore, we can see an interaction of two types of crisis dynamics: Communication and decisions in the context of the company under crisis conditions lead to correspondingly tinted interactions in the context of the entrepreneurial family, and vice versa.

This interaction becomes particularly clear in the example when a commissioned consulting firm or the company lawyer advises to dismiss family members from the company management. This mostly leads in exclusion of close relatives, such as the brother or sister, the son or daughter. Experience shows, however, that such situations are usually to the detriment of the company, i.e. insolvency, as the demand for a change in the management has not been met. While having avoided a family conflict in this particular case, an entrepreneurial conflict was not resolved. In consequence, a latent risk based on a lack of family business governance has materialised here.

From CONRAD NICOLE, Präventives Konfliktmanagement, in: Family Offices / Recht / Management und Banking, Dike 2017.

**Prof. Dr. Nicole Conrad writes in our newsletter series on the topic of "Successful Management of Family Businesses with Professional Family Business Governance" and is pleased to answer your questions.*