Case Study About Conflicts In Family Business

On September 2012, I was having a cup of coffee with my friend Eng. Khaled Alghunaimat who was the production manager of ALAFDAL for steel company. ALAFDAL is a family owned metal fabrication company specialized in fabricating metal doors and fences. ALAFDAL factory was located in Sehab, Jordan. The company was founded by Khaled's father Mr.Mohammad Alghunaimat in 2006 and operated by members of the family including Khaled who graduated from university of Jordan as an industrial engineer in 2009.

In Jordan, family businesses are looked upon as a sign of family unity and coherence. For example, starting and maintaining a successful family business that carries the family name in Jordan means that the family is consistent and that the family members are close and loyal. Also, establishing a family business in Jordan is a mean to build a good reputation for the family name in a society that gives a significant importance to family names and such reputations.

Khaled discussed with me while we were sitting the case which was the reason of closing ALAFDAL Company in 2011. He started by stating "Family businesses most of the time represent a highly attractive environment for conflicts and problems which caused by personal greed, jealousy and anger". Eng. Khaled said that he was constantly asking his father to construct a futuristic plan for running the company and allocating the duties in case of losing the CEO of the company, the CEO who represents the main pillar in family businesses, the pillar which everyone else is in the business are attached to. "My father always avoided this topic as it will never happen, ignoring the significance of such plans", Khaled said. In 2011, Khaled's father and CEO of ALAFDAL Mr.Mohammad died, leaving behind the company for the family members who were operating it. However, there was no plan of action for what to do in this case, which lead to massive conflicts about who should be the CEO now and who will run the company and take decisions. Suddenly, khaled's oldest uncle decided that he should be the new CEO of the company only because now he is the oldest in the family after the death of Mr.Mohammad. However, he only joined the company since little more than two years while there were many younger family members who had more experience and who joined and dedicated themselves since 2004 which was the launch of the company. Therefore, Khaled said that the loss of the CEO without a futuristic plan of how to take control of this situation and who will be responsible and how duties should be allocated caused unsolvable conflicts which couldn't have been be settled within the family members and also led to interpersonal problems and conflicts among the one family members which damaged families' relationships. Unfortunately, the conflicts were never been solved and eventually led to the closing and liquidating of the company.

The case shows the importance of the futuristic planning in family businesses to avoid such circumstances. Therefore, my first recommendation naturally will be to construct a clear detailed plan of how to run the business and to plan the duty allocation in case of the loss of CEO while the CEO is available. Furthermore, this plan should be constructed in the presence and participation of all family members who are operating the business. However, in Khaled's case, if the unfortunate loss happened without the plan pre-constructed. I would have suggested Khaled to hire an outside management company specialized in managing businesses, which could have taken over and run the business for limited short period of time until conflicts are

resolved and decisions are made to avoid the complete loss and the closing of the company.