The Hidden Strengths in Family Business: Functional Conflict

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Conflict is likely in family businesses. Although some types of conflict are negative and should be minimized, other types are helpful and should be understood and encouraged to improve decisions. Using Jehn's (1997) framework, three types of conflict are identified and related to family business issues. A framework for conflict resolution is presented. Finally, recommendations for introducing and managing positive conflict in family businesses are offered.

Introduction

Kenneth Kaye and Catherine McCarthy (1996, pp. 71–72) recently summarized an extensive study on family business conflict with a moral: "Learn to address conflict, welcome it, use it as an opportunity to grow. Remember that two (or more) heads are better than one only if they can disagree." This sage advice is consistent with an impressive body of research revealing benefits from certain types of conflict across a variety of organizations and contexts (Eisenhardt, Kahwajy, & Bourgeois, 1997; Jehn, 1995; Schweiger, Sandberg, & Rechner, 1989). Research generally suggests that although affective interpersonal conflicts (e.g., disagreements involving emotions) are usually dysfunctional, other types of conflicts (e.g., disagreements over methods and interpretations) may be very positive (Jehn, 1997). How can the negative aspects of conflicts be minimized and the positive aspects of conflicts maximized in family businesses? The answer to this important question requires that we understand the nature of conflict in family businesses and the way conflict can be positively resolved.

The Nature of Conflicts in Family Businesses

Harvey and Evans (1994, p. 331) stated that "Family businesses are fertile fields for conflict." Consultants report that conflict issues may be considered one of the fastest growing areas of concern in family businesses (Ward & Aronoff, 1994). It seems that the fundamental nature of family business makes conflict likely. In family businesses, interpersonal interactions between family members are likely to be frequent, family members are commonly involved with a multitude of decisions across a broad range of "functional" (accounting, personnel, marketing, etc.) business areas, and the "emotional" issues of power and control may be difficult to resolve.

Jehn (1997) identified three types of conflict in organizations. All three appear likely to occur in family businesses. First, *task conflict* involves differences related to the job and business matters. Jehn provides examples revolving around conflicting directions from two bosses, uncertainty about the proper speed in completing tasks, the importance and meaning of financial data, the meaning of government regulations, and the relative importance of multiple job goals. Second, *relationship conflict* (affective conflict) involves emotions and interpersonal relationships. Evaluative and personal comments in the form of petty arguments and personal dislikes are frequently associated with relationship conflict. Examples that illustrate this type of conflict between two employees include constant bickering, snide comments, or the mocking of each other's professional dress. Other signs of relationship conflicts are employees with "poor attitudes" and employees who don't talk with each other because of dislikes (Jehn, 1997). Third, *process conflict* reflects disagreements with methods of doing things. Examples include disagreements about the way in which a reorganization is conducted, the manner in which work is divided between team members, the way in which various projects are assigned, and the way in which job activities are best accomplished (Jehn, 1997). Task conflicts reflect disagreements about *what* needs to be done, whereas process conflicts involve disagreements about *how* something should be done.

Consider the following family business scenario that reflects a combination of issues from several family business cases observed by the authors. It also reflects Jehn's three conflict types.

The father, now in his seventies, founded the family company in the 1950s. In the past 10 years, his 45-year-old son has assumed operational and strategic responsibilities for running the company. The father has remained chairman of the board, and his son has been appointed chief executive officer (CEO). The vice presidents have constantly received conflicting directions from the father and son (task conflict). During several board meetings the father and son have engaged in some heated emotional exchanges (relationship conflict). In fact, the son would prefer the board meetings be held when the father is out of town. Finally, the father tends to be unaware of such contemporary organizational trends as networked structures and quality initiatives. The son, who has an MBA and has been exposed to several executive development programs, believes in restructuring and quality programs (process conflict). The following section discusses some examples of how they have handled conflict.

Conflict Resolution in Family Business

"Conflict resolution" may be an unfortunate choice of words for dealing with conflict situations. It implies that conflict should be eliminated through some means. Although that is true when conflict is destructive, such as is in most relationship conflicts, there are many instances in which conflict should be encouraged and utilized to improve decisions (Cosier & Rose, 1977). Thomas (1976, 1979) has developed a useful model for considering conflict-resolution methods that is based on the work of Blake and Mouton (1964). The Two-Dimensional Model of Conflict Resolution (TDMCR) identifies two conceptually independent dimensions of interpersonal behavior: (1) assertiveness, defined as behavior intended to satisfy one's own concerns and (2) cooperativeness, defined as behavior intended to satisfy another's concerns. The two dimensions combine to identify five methods for handling conflict situations: (1) avoiding (unassertive, uncooperative); (2) competing (assertive, uncooperative); (3) accommodating (unassertive, cooperative); (4) compromising (intermediate in assertiveness and cooperativeness); and (5) collaborating (assertive, cooperative).

Several research studies have supported the validity of the TDMCR for describing conflict-resolution options (Cosier & Ruble, 1981; Ruble & Thomas, 1976). The TDMCR seems to apply very well to family business situations. In the father and son situation, all five resolution methods can be observed over time. Avoidance occurs when the son schedules board meetings so that the father cannot attend. Competition is evident when the father and son argue frequently about who has the proper authority to make certain decisions. During a recent confrontation about whether to make an acquisition, the two took opposite positions and argued vehemently. This competitive behavior finally gave way to accommodating as the son acquiesced to the father.

Examples of compromising in this family business have been very common. These include the following: designating the father as board chairman and the son as CEO because both initially wanted to be chairman of the board *and* CEO; the father attending about half of the board meetings (a pattern that developed); and making many smaller decisions, such as a trade-off between who gives speeches for the company and who handles various clients.

Unfortunately, as noted by Cosier and Ruble

(1981), conflict-resolution methods 1 through 4 have many negative effects. If avoidance is used, the issues that sparked conflict may go unaddressed. Competition involves a "winner" and a "loser." Competition also tends to involve a lot of resources, especially time and emotional drain. With accommodation, one party may feel defeated and determined "not to let this happen again." Although parties who are in conflict may feel that compromise is fair, it is frequently an expedient outcome that doesn't involve the best solution for both parties. The advantage, in fact, of collaboration is that a "win-win" solution may be reached through asserting one's own position and attempting to meet another's needs. Collaboration is more likely to occur under conditions of mutual trust, open communication, creativity (to identify win-win outcomes) and in a culture that values teamwork over individualism.

There were a few instances of collaboration in the father-son family business situation. One example involved the solicitation from the father's alma mater of a large amount of money. The father preferred endowing a chair in finance whereas the son preferred to contribute nothing. After several discussions, the father and son eagerly agreed to financially endow several large student scholarships. This outcome was a "win" for the son because the scholarships held the possibility that several top students would consider employment at the company. The father was pleased to provide a large endowment to his alma mater that promoted student quality and support.

Collaboration and Constructive Conflict

A major reason why collaboration between family members, or between people in general, is not more common is that a violation of trust tends to destroy future opportunities to work together. One who wishes to collaborate may become an easy victim of another who is deceitful. Competition seems the best protection from someone who cannot be trusted (Cosier & Ruble, 1981).

If mutual trust can be established and maintained, there is an opportunity for more effective collaboration between family business members by encouraging and using constructive conflict to identify win-win outcomes. Of the three types of conflict identified by Jehn (1997), process conflict is the most likely to promote creativity and assist in decision quality. This is because process conflict involves different viewpoints on how to reach one or more goals, thus reflecting cognitive or interpersonal conflict between individuals. A sizable body of research now exists demonstrating the benefits of cognitive conflict. Cosier and Schwenk (1990, p. 70) pointed out that "cognitive conflict was noted as functional many years ago by psychologist Irving Janis. Janis, in his famous writings on groupthink, pointed out that striving for agreement and preventing critical thought frequently leads to poor decisions, such as those made during the Bay of Pigs invasion and the defense of Pearl Harbor." Other research has further demonstrated that disagreement can lead to the surfacing of options and the identifying of false assumptions (Cosier & Dalton, 1990).

In a family business setting, merely raising the awareness that the disagreement inherent in process conflict can be positive may promote collaboration. Reminders that prevent process conflict from becoming relationship conflict should be frequent. It may even be possible to follow the advice of Cosier and Schwenk (1990) and "program" cognitive conflict into important decisions by using the devil's advocate (DA) or dialectic (DI) decision methods. The DA requires that someone formally assumes the role of critic for a proposed course of action. The critic must identify potential pitfalls and problems with the proposed decision, thus considering fully the risks involved in a decision prior to committing to it. The DA frequently prompts the identification of "new" options for improving decisions (Cosier & Dalton, 1988). Because of the informality that may be found in the family business, it may be sufficient for family members to expect and practice playing the role of devil's advocate to discuss proposals.

The DI method is based on the writings of

Plato and Aristotle that addressed the benefits of synthesizing the conflicting views of a thesis and an antithesis. Using the notion of the dialectic, Hegel described the emergence of new social orders after a struggle between opposing forces (Cosier & Schwenk, 1990). Following the suggestion from Mason (1969) that the dialectic could be applied to modern organizations, Cosier and Schwenk (1990) proposed a DI method to improve organizational decisions. That model involves (1) generating a proposed course of action; (2) identifying assumptions underlying the proposal; (3) generating a conflicting counterproposal based on different assumptions; (4) advocates of each position presenting and debating the merits of their proposals to key decision makers; (5) deciding on a position to adopt or taking some other position; and (6) monitoring the decision. Although some family businesses may not lend themselves to such a structured decision process as the DA, the DI may be useful when family business members encourage each other to discuss such questions as "What if the opposite were true?" or "What are the arguments that support the opposite conclusion?"

It is important that decision makers who use either the DA or DI approach keep focused on the objective business issues and avoid taking criticism personally (Schwenk & Cosier, 1980). This seems especially important for family businesses in which all of the potential family emotional situations are added to the business issues that family members face. However, when family business members understand conflict types, utilize the constructive parts of conflict to improve decisions, and strive for collaboration to solve problems, their organizations may be more effective.

Finally, an important question needs to be addressed: "When should family business members try to use a conflict management technique on their own and when should they bring in expert help?" The response to this question depends largely on the perceived complexity of the decision (Cosier & Dalton, 1988). Highly complex decisions, reflected by low predictability and limited information available, require the most assistance, including the use of outside experts (Cosier & Dalton, 1988). In these situations relationships between key elements of the decision are unknown or unpredictable, and information to help make the decision and clarify relationships is lacking. This may be the case in a small family business that may want to expand into new, unknown markets. For example, a family business operating in a regional or limited market may view the decision to "go global" as very complex. That type of decision would benefit from the assistance of outside experts who are familiar with the benefits of decision aids that promote functional conflict (e.g., DA or DI).

Ralph Kilmann (1984, p. 11) may have said it best: "The most enlightened managers today are those who take pride in reaching out for help from whomever they can get it . . . They are the first to recognize what they can do effectively by themselves and when they need to enlist the aid of others . . . it is a matter of doing what is necessary to solve complex problems."

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