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Enhancement of Entrepreneurial Leadership: A Case Focusing on a Model of Successful Conflict Management Skills

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The purpose of this paper is to present a case study focusing on a new technology start-up firm, founded by two graduate students, an engineer and a business major, who met during their university studies. The case is timely, in that only ten percent of new product introductions result in a profitable business. The causes of failure are numerous and include the following: the market may create failure; inadequate funding and capitalization; and competition from established enterprises. Several research studies also point to rising indications of inter-functional conflict in high technology companies. One reason may be that, today, management teams in such companies are typically comprised of greater levels of diversity in age, gender, ethnicity, education, and life experiences, all of which exacerbate conflicts. New venture teams, especially in a technology start-up, may be united because of the product innovation, but they may easily become disconnected and unrealistic when it comes to the management of the enterprise.

The presentation and analysis of a conflict management process herein indicates that the way a start-up team manages its conflicts may have a permanent affect on the success of its entrepreneurial venture. Conflict management does not imply terminating conflict, but involves understanding strategies to minimize dysfunction and enhancing constructive effectiveness as a result of conflict. This case exposed the problems that arise due to the differences in the founders' education, background, experience and understanding of the necessary entrepreneurial mindset for success. By using a model of conflict management that encompasses four negotiation skill sets, including assessment, intervention, resolution and maintenance, their conflicts were resolved quickly and their partnership re-engineered, increasing the chance of their firm's long-term success.

Keywords: conflict management, entrepreneurial team, start-up team

INTRODUCTION

Within the present national and worldwide conditions of business and education, we have begun to ask ourselves major questions about technology entrepreneurship and its place in our society. While these questions may not be new (Gartner & Vesper, 1994; Kuratko, 2005), the importance and significance of an innovative and entrepreneurial spirit focused on technology in American society is emerging as a critical factor for competing in a global market for technology (Minniti & Bygrave, 2004; Rothaermel, et al., 2007; Schramm, 2006).

From the positive impact of small techno-centric businesses on new job growth, and the apparent competitive advantage in high technology observed within the United States, one would think the status quo is working and there is little to worry about. Recent data suggest that a large percentage of new job growth in the U.S. is created by small firms, as shown by the relationship between firm size and new job creation in the U.S. economy in Figure 1 (U.S. Bu-

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reau of Labor Statistics, and U.S. Small Business Administration, 2012). If one aggregates businesses by size of small (<100), medium (100-499), and large (>500), the point is obvious: small business is important in the U.S., accounting for the largest percentage of new job creation.

Figure 1. Employment Change by Size of Firm (thousands, seasonally adjusted)

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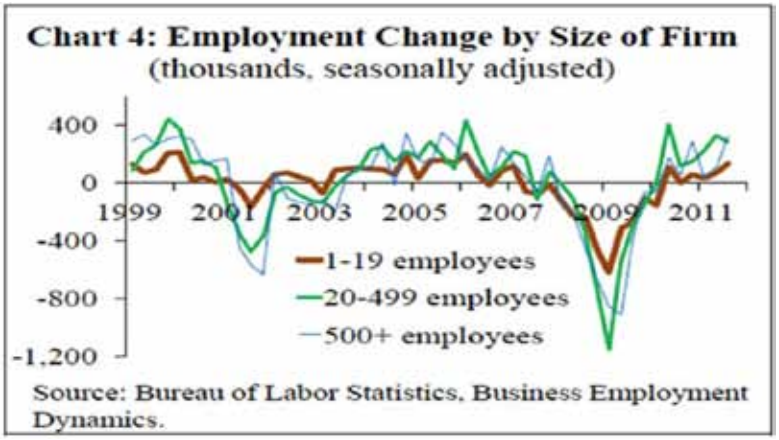

In 2011, The Kaufman Foundation reported that, on average nationwide, 320 out of 100,000 adults were involved in the creation of over 543,000 business creations each month during the year (Kauffman Foundation, 2012). According to the Small Business Administration, small firms employ about half of all private sector employees and pay nearly 45% of the total U.S. private payroll. Though an estimated 543,000 new employer firms began operations each month in 2011, just as many firms closed that year. Why is there such a high failure rate of small businesses, defined by the U.S. government as an independent business having fewer than 500 employees? The causes of failure are numerous and include the following: the market may create failure; inadequate funding and capitalization; and competition from established enterprises. But all too often the collapse from disputes among the people trying to make the business profitable may destroy an otherwise promising enterprise (Cronin & Weingart, 2007).

ENTREPRENEURIAL SUCCESSES AND FAILURES

A common denominator that differentiates successful entrepreneurs from those who are not is directly related to the concept of harnessing the entrepreneurial mindset (Wellman, 2010). An entrepreneur is someone who perceives an opportunity and creates an organization to pursue that opportunity (Bygrave & Zacharakis, 2009; Karatko & Hodgetts, 1995). A typical question an entrepreneur must ask him or herself is, "Am I willing to embrace new ideas and suggestions and work hard to develop the knowledge and expertise required, or do I have a particularly proud attitude and think I already know everything?" Early in the 20th century, Joseph Schumpeter gave us a modern definition of an entrepreneur focusing on the person who destroys the existing economic order by introducing new products and services, by creating new forms of organization, by bringing together individuals with new types of education and/or experience, or by exploiting new raw materials (Bygrave & Zacharakis, 2009). For example, we now accept that, all too often, technology entrepreneurs are part of a team composed of individuals from a variety of disciplines such as business, information technology, engineering, and science.

THE LEARNING ORGANIZATION

The very nature of technology and innovation is based on teamwork and creativity. Technology entrepreneurs bring together aspects of the technical and the business world to produce economic value in the marketplace. Technol-

ogy entrepreneurship thereby involves the creation of new business enterprises that generate benefits (wealth, jobs, value, progress) for participating parties by creating unique, new arrangements of resources, including technology, to meet the needs of the marketplace (Dorf & Byers, 2008). Most if not all new ventures face new challenges both from learning and adapting to changing conditions and discovering unknowns. Technology ventures create, acquire and share knowledge, and, in fact, are considered learning organizations when they adapt actions and behaviors as a result of new knowledge (Dorf & Byers, 2008). Accordingly, learning organizations are typically skilled at five key activities:

1. Systematic problem solving;
2. Experimentation with new approaches;
3. Learning from their own experience and past history;
4. Learning from the experiences of others; and
5. Transferring knowledge quickly and efficiently throughout the organization.

New venture teams, especially in a technology start-up, may be united because of the product innovation, but they may easily become disconnected and unrealistic when it comes to the management of the enterprise. Managerial faults exist because of the absence of organization, control, follow-up, course corrections, or perhaps because wrong people are in the wrong place. In the field of entrepreneurship, it is commonly mentioned that past experience plays a significant role in the decision-making process of entrepreneurs (Minniti & Bygrave, 2001; Sarasvathy, 2001).

If one considers the importance of past experience in the success of new business ventures, it is easy to understand why financiers typically look for an experienced (and previously successful) management team. The decisions of an entrepreneurial firm are the result of the firm's ability to process knowledge and learning (Sarasvathy, 2001). Entrepreneurs learn by doing, thus entrepreneurship is based on a process of learning that allows the entrepreneurs to learn from successes as well as failures. Conflict is also an essential characteristic of learning organizations. Conflict management scholars indicate the need for accommodating and managing conflict for the potential of collective learning to be realized (Amason, 1996).

THE NATURE OF CONFLICT

Due to the rapidity of change, focusing on such issues as technology factors, the business model and strategy, and the expected economic results generate conflict situations. The traditional approach in the Western world has been that conflict should be thoroughly analyzed, documented, and eliminated. Conflict has historically been viewed as being dysfunctional and time-consuming. Individuals were encouraged to suppress and avoid conflict.

In contemporary arenas, however, managers have recognized that, in many instances, conflict can be a sign of a very good market-oriented organization (Hellriegel, et al., 1995). A corollary to this is an organism in the animal and plant world that finds itself in a hostile environment and calls upon its adaptive abilities to cope and survive. Out of necessity, it must develop new adaptive skills, and either change occurs or the organism dies. Adaptation, accommodation and flexibility constitute the foundation for future development and change (Darling & Walker, 2001). The entrepreneur who responds to conflict with a reality perspective and problem-solving orientation presents a similar posture. The alternative to successful adaptation becomes stagnation and non-productivity. A basic value of meaningful confrontation with business partners arises from the fact that conflicts can lead to change, change can lead to adaptation, and adaptation can lead to survival and success. Executives who engage in productive disputes typically generate more innovation and productivity than those with low levels of conflict (Eisenhardt, et al., 1997).

Conflict theory has also undergone changes in perspective over the past ten years. Perhaps the most basic change is reflected in the emergence of the term *conflict management* (Rahim, 2002; Somech, et al., 2009). The difference between conflict resolution and conflict management is an important distinction in any organization. Conflict resolution implies reduction or elimination of conflict. Conflict management does not imply terminating conflict, but involves understanding strategies to minimize dysfunction and enhancing constructive effectiveness as a result of conflict (Rahim, 2002). It has been said that conflict at key organizational levels—what may be termed substantive,

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cognitive, or issue-oriented conflict—is essential for effective strategic development (Rahim, 2002). Important by-products of positive, strategic decision-making depend upon the quality of the decision, the ability of consensus, and an affective acceptance of the decision. On the one hand, conflict improves decision quality; but, on the other, it may also weaken the ability of the group to work together (Schweiger, et al., 1986). The presence of conflict in itself is not destructive. How the team manages its conflict, however, determines whether the conflict becomes constructive or destructive to the organization.

THE ENTREPRENEURIAL LEADERSHIP CASE

Jeff and Lauren (both pseudonyms) met at a university career fair the second year of their graduate studies. Jeff was a business major, concentrating on entrepreneurship. He was one of the first to raise his hand when the professor of one of his freshman undergraduate classes asked, "Who wants to open their own firm in the future?" But he was also the first to say that, without the right idea and the right partner, the job market was his best alternative. With resume in hand, and "dressed for success," he attended the University Career Fair. Lauren was in her last year of an engineering program. She still had the current semester and one more to complete before finishing her degree, but she thought it prudent to see what opportunities were available to a newly graduated engineer. Lauren usually attended the career fairs offered in the College of Engineering, but chose this time to also attend the campus-wide fair just to "check out" all of her options. She loved engineering, but was not sure that working in an engineering firm was what she aspired to do. Her father was in business for himself, as a contractor, and had supported his family and paid for Lauren's education, so she had always had the influence of entrepreneurship in her background. Her father always reminded her, when she was growing up, that she too could be an entrepreneur. As an engineer, though, she wasn't sure what she could do in her own business.

One of the vendors at the career fair was a university promoting their $250,000 Business Plan Competition. Jeff was immediately attracted to the booth to learn more. Lauren happened by and reviewed the brochures on display. The two began to talk, and Lauren told Jeff about her senior project. As an electrical engineer major, her senior final project was to design and build the prototype for a product. The project criteria presented by her professors were to focus on safety, reliability, economic, ethical, and social implications. Nothing was mentioned in classes about commercialization, product development, customer demand, and development. On the other hand, Jeff was quite conversant in the business aspect of technology entrepreneurship, as he was taking a course on technology ventures and had been assigned to write a business plan for a venture revolving around a technology. The two were interested in learning more about the Business Plan competition.

The competition was to be held in six months. Jeff suggested that he could write a business plan for the commercialization of Lauren's product. Lauren would be responsible for completing the project prototype and any other technology factors since this was her school project, and Jeff would be responsible for the business aspect: market research, business model, operational and marketing strategy, and expected economic results. As it turned out, both conducted a patent search as part of the business plan strategy.

With the help of outside advisors and some professors, Jeff and Lauren competed in the business plan competition. They placed second and won $20,000. They had worked so well together and had become so excited about the thought of starting a company that they decided to proceed with the business. $20,000 was not enough seed money, but it was a beginning. Between friends and family, particularly Lauren's father, the two raised an additional $50,000. Jeff found an angel investor who was willing to invest another $50,000, but this investor required some modifications to the product design. Though Jeff knew that the collected funding was not enough for a full year of expenses, he felt compelled by Lauren's persistence to move ahead.

Jeff hired a lawyer to set up the legal business structure and found some office space that would give Lauren a small working area for further product research and development. He began searching out the market he expected would be interested in their device and began making cold calls. Lauren was surprised by all of the forward progress and commitments, including Jeff making customer calls. Lauren had designed a miniature camera that, when mounted inside an automobile, would be able to record images of relevant events that occur in and around the vehicle, much like a security device. Jeff knew that Lauren would need to make some modifications, as required by the investor and as discovered in the market analysis. Jeff discussed the options for the modifications with Lauren, suggesting alter-

natives for Lauren to consider, but Lauren was adamant about not making any changes to the design because they had just started their business. She commented: "Besides, with changes, that's not how I designed it in the first place."

Lauren tried to suggest ways they could manage the financial aspect of this partnership without making any modifications to the original design of the product, but her lack of thorough understanding of business finance only intensified her frustration with her relationship with Jeff. The partners were unable to communicate on important issues pertinent to their start-up. Lauren thought they needed to determine how their device was going to be manufactured in large quantities and what marketing strategy they would need to develop. Jeff had other thoughts about manufacturing and marketing, but he had not discussed them with Lauren. Their start-up business had suddenly changed their working relationship, and neither felt comfortable with the other; in fact, they had begun arguing in ways they had never done during their business planning process for the competition.

Jeff encouraged Lauren to go with him to visit the business professor who had helped them prepare for the business plan competition. He was known to be what was generally referred to as a serial entrepreneur—someone who had founded a number of firms—and he was also a respected academic whose research interests were related to small business and conflict resolution. Professor Klent (a pseudonym) was pleased to be of assistance and offered an overview of the theory of conflict to frame the issue he believed Jeff and Lauren would soon be able to identify as plaguing their partnership.

CONFLICT MANAGEMENT

Research on a theory of conflict identifies three main categories of conflicts: (1) Task-Based Conflict; (2) Relation-Based Conflict; and (3) Process-Based Conflict. Task-based conflict pertains to discussions about the work being done. Task-based conflict is believed to be the most functional type of conflict because it stimulates constructive debate. Task conflicts generally have a high potential for resolution. Professor Klent told the partners that task conflict might bring multiple viewpoints to light and provide a vehicle for creative thinking through stimulating multiple perspectives (Kurtzberg & Mueller, 2005). This variation in perspectives could produce more insights into the creative process, and if the partners would discuss the options, the professor told Jeff and Lauren, he believed the outcome would be motivating and would impact positively on creativity. Since Jeff and Lauren had avoided the time-consuming efforts of articulating all the tasks facing their new start-up, they had to identify what these tasks would be and who would be responsible for each task. This would lead to a decision-making process that would guide them at that moment and through the various stages in their business development.

Relationship-based conflict is another type of conflict that pertains to the interpersonal interaction among individuals and is believed to inhibit cognitive functioning, thus producing suboptimal products. Often the experience and capabilities among founding partners are similar, as in the case of Jeff and Lauren. Their enterprise was lacking in the crucial functions required for long-term success. Though both partners were well educated in their fields, neither of them had the experience and expertise of running a business, as the professor noted. Their relationship was dependent on mutual contributions. The most successful ventures recognize the expertise in the team, as a whole, and what each member individually contributes to the success of the venture.

The third type of conflict, process-based conflict, pertains to how the work-related roles and responsibilities are assigned and accomplished. This can be very disruptive in an organization, but functional at the beginning of a project when deciding goals and allocation of resources. One thing Jeff and Lauren had not done since the business plan competition was to formulate decision making strategies which would have aided in minimizing process-based conflicts. During the preliminary work for the competition, both partners just wanted to enter the competition and win. They knew their respective roles, she as the engineer, he as the business developer. Things were different since the competition, and their business needed procedures. Once Jeff and Lauren would identify all the responsibilities necessary for start-up development and success, they would then be able to assign specific roles to each of the partners.

Professor Klent explained to the partners that historically, each of these types of conflicts was dealt with using different strategies for resolution. For example, multi-functional training (Maltz & Kohli, 2000) focuses on reducing task-based conflict. Increased communication over the issues, however, may be known to affect task-conflict, but may be counterproductive for reducing relationship-conflicts (Jehn, 1997). However in high-technology organizations, espe-

cially start-ups like the one Jeff and Lauren founded, conflicts among the founding team members permeate all conflict types, and consequently a broad perspective is important. Additionally, several studies have documented that the extent to which team members need information, material and support from the other team members in order to complete their jobs alters the consequences of the conflict and provides an incentive for collaboration (Somech, et al., 2009). This supports the findings that conflict management styles have a major effect on team performance and should be considered carefully to maximize the results. Teams differ in their general handling of conflicts and, therefore, should be managed according to the dynamics of the team (Keaveney, 2008). So Jeff and Lauren needed to identify a conflict management process they could use at that moment, as well as in the future.

CONFLICT MANAGEMENT: A SKILL SET MODEL

Professor Klent suggested a few conflict and negotiation models, each of which consisted of a non-linear reiterative series of steps (Rahim, 2002). These models suggested several strategies of conflict management that involve recognizing

- the types of conflicts, especially those with negative effects on individual and group performance;
- the types of conflicts that may have positive effects on performance; and
- the use of different conflict-handling styles.

For long-term management, Jeff and Lauren needed a multi-dimensional process for handling conflict that addressed collaboration, something Jeff and Lauren had identified as a reason for seeking assistance from Professor Klent. They understood that collaboration was an approach that would successfully address each of their concerns (Sorenson, et al., 2008). Collaboration includes elements that help focus not only on personal desires, but on business goals as well.

Collaboration involves exchanging information and working together to understand problems and thereby promoting positive relationships and business success (Sorenson, et al., 2008). The model Professor Klent presented to the partners encompassed four negotiation skill sets: *assessment, intervention, resolution* and *maintenance* (see Figure 2). A process for managing long-term relationships, such as those between business partners, whether in a small start-up or a large organization, can be learned and fostered. The professor explained to Jeff and Lauren the conflict management skills as defined by the conflict management model (see Figure 3). Briefly, the preliminary assessment includes knowing yourself and the relational acceptance of the other party in the conflict. The intervention is one's decision to address the issue using meaningful communication. The resolution assessment focuses on the assumption(s) analysis, determining objective(s), and choosing alternative(s). The resolution deals with the action agreement. The maintenance of any conflict management is continually offering feedback review and continual oversight. This model of skills will work as a framework to reinforce the need for conflict management from an early stage of growth and development in any enterprise start-up.

Figure 2. Conflict Management Model

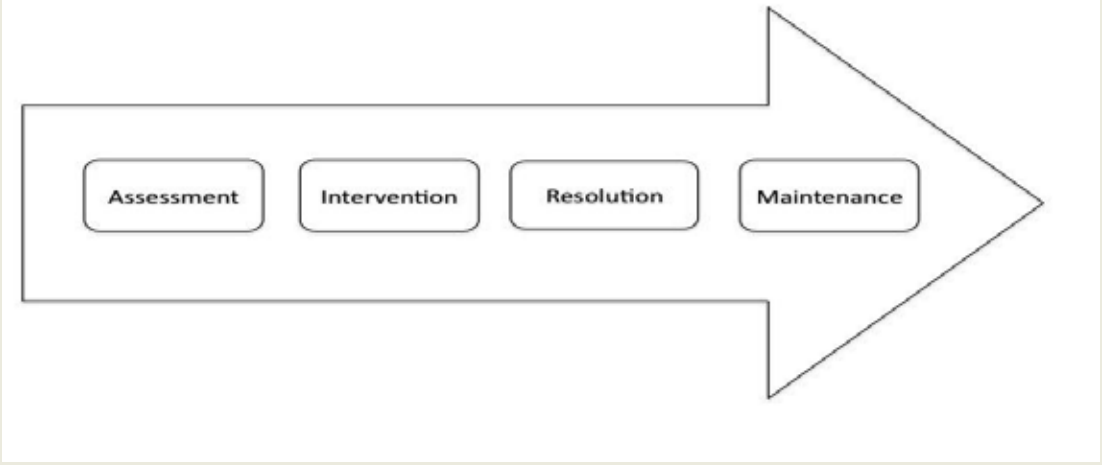

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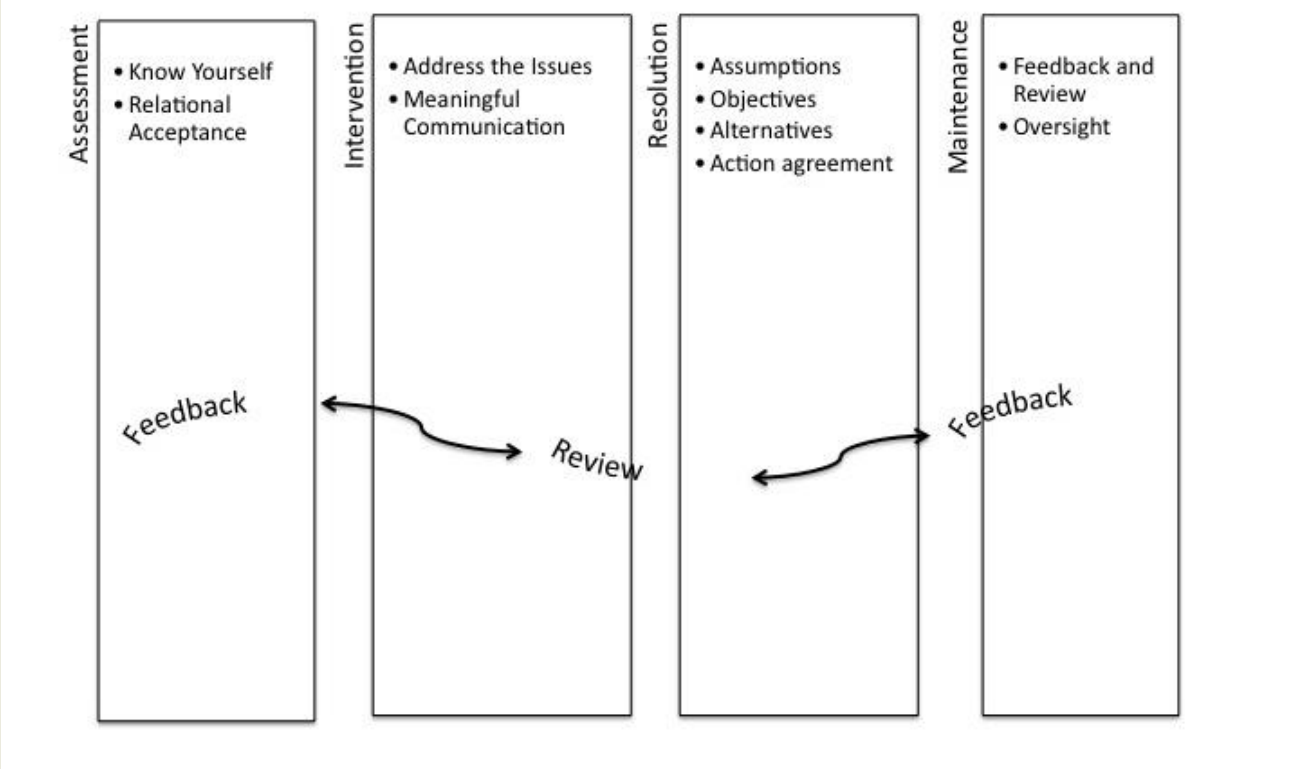
Figure 3. Conflict Management Skills Model



Jeff and Lauren had come to a major roadblock in their entrepreneurship business partnership. They were not communicating clearly with each other; they had not articulated their personal and professional goals; and they were struggling with the roles and responsibilities for themselves and for each other. Competing viewpoints that promote creativity had therefore led to conflicts that had become disruptive to their relationship as a team. Using the Conflict Management Skills Model, Jeff and Lauren could begin to untangle and re-engineer their business partnership. The two of them then set out on a very interesting interactive journey of using the Conflict Management Skills Model encompassing the four negotiation skill sets (Figure 3).

COMPONENTS OF THE CONFLICT MANAGEMENT SKILLS MODEL

Assessment: Know Yourself

Professor Klent began with an assignment for the partners that focused on assessing their own strengths and weaknesses. Psychological models identify personality characteristics of entrepreneurs as possessing a number of similar traits: risk taking, need for achievement, and strong locus of control. However, shortcomings and other weaknesses in managerial skills, decision-making skills, and even experience can derail a new enterprise, not to mention the relationship with partners and a team. Jeff and Lauren had to show a keen sense of self-awareness to improve their prospects for a successful endeavor. The process of managing conflict had to begin with each other.

The innovator, Lauren, around whose idea the venture had been created, owns the intellectual property, but in and of itself it is worth nothing unless the business venture makes money. With the help of skills in business and a strong management team, the product would have the potential of developing into a profitable endeavor. However, the owners, both Lauren and Jeff, must be willing to share control of the business and have confidence that each partner is fulfilling his or her obligations. Even good technology is not enough. Knowing what skills one has and what skills are needed to advance the enterprise is worthy of the same in-depth analysis as the founders spent on the business planning process. Both Jeff and Lauren needed to take an inventory of their skill sets and then compare what each founder brings to the venture. If Lauren is the chief engineer, she must be given the authority to make engineering

decisions. However, having shared values and goals, teams can excel. Using an open process designed to generate multiple alternatives, Jeff and Lauren can select the best solution. To be successful, they needed to excel at creative tasks.

Assessment: Relational Acceptance

In effective entrepreneurial partner relationships, each person must recognize his or her own self-interests as well as the interests of the other—a process which can further mutual objectives. They can assist one another to succeed through reciprocal and advantageous communication resulting in collaborative arrangements about responsibilities and accountabilities (Culbert & Ullmen, 2002). Professor Klent reminded Jeff and Lauren that, in technology firms, entrepreneurial teams outperform single entrepreneurs, since new ventures require more capabilities than one individual is likely to have (Dorf & Byers, 2008). The two entrepreneurs were fortunate to have the two sets of skills available for the venture, business and engineering, but they needed to address their professional relationship.

Intervention: Address the Issues

A gap inherent in the educational background of Jeff and Lauren came from an academic and philosophical approach to the curriculum in their universities. The goal of engineering education has always been to create good engineers, but when it comes to technology entrepreneurship and management leadership, there has been a relatively little focus in many institutions. By default, many educational programs in engineering appear to drive out the thrill of innovation and management leadership and kill the spirit of technology-based ventures in exchange for purely scientific and analytical procedures that lend themselves to quizzes, exams, and exact solutions to problems.

The goal of business education has been debated in the literature for decades, but the main goals of business education programs are to teach the processes of decision-making; the philosophy, theory, and psychology of management and leadership; practical applications; and business start-up and operational procedures (Association of Advanced Collegiate Schools of Business, 2010). The resulting differences between Jeff and Lauren in their perspectives on innovation and business development did not need to create a barrier in their relationship as long as they believed that, collectively, they had the ability to address the primary issues and perform the necessary tasks. In their case, the primary issue related to this conflict dealt with their roles and responsibilities in creatively managing and leading a start-up enterprise.

Intervention: Meaningful Communication

Conflict may arise from a number of issues, yet one of the top problems Professor Klent found between Jeff and Laruen was their lack of meaningful communication. At this point in the conversation, the professor reminded the partners of the framework of all communication processes so that they would understand what they needed to do to improve their own interactive communications. In a perfect communication episode, he said, a sender transmits a message that is accurately received by a recipient. Three possible problems can arise: the sender fails to send a message; the message is sent but is inaccurate; the message received by the recipient is misunderstood. Historically, engineering processes placed individuals in solo performance, and consequently working in isolation, often resulting in poor or substandard communication skills.

The environment today shows collaborative projects requiring a new form of communication and shared understanding. Shared understanding denotes a situation of mutual knowledge, beliefs, and assumptions in relation to the object of the discussion (Clark & Brennan, 1991). Conflict had occurred between Jeff and Lauren based on attitudes, skills, values, and goals that were salient to each individual's behavior, but which were perceived to be exclusive of the other's attitude, skills, values, and goals (Rahim, 2002). Collaboration is difficult in cross-disciplinary teams, especially since each profession has its own language and terminology, approach to learning, and mechanisms for information exchange. The challenge is recognizing the differences and overcoming the barriers in a meaningful way.

The three most common communication indicators in the negotiation process, to which the professor wanted the partners to pay particular attention, were the amount of exchange, directness, and mutual concessions (Meiners and Miller, 2004). The amount of information exchanged during communication to resolve conflicts specifically refers to the depth to which Jeff and Lauren would discuss plans, exchange information and discuss potential consequences.

The exchange should be candid and open. Second, directness and depth refer to the extent both parties reveal their preferences in a clear and unambiguous manner. Saying "I just don't understand" is indirect and can prevent the exploration of alternatives. Lauren was frustrated with Jeff's plans, moving ahead with the business decisions, and his "demands" to revise the product. Jeff was equally frustrated with Lauren's lack of responsiveness, and he "just didn't understand why Lauren is against him on everything he has done for the business." Where there was little exchange of information, neither one of the founders could adequately define the problems they were having.

The third characteristic of negotiating while managing conflicts is that concessions should be made between the partners. By exchanging concessions, the founders demonstrate flexibility and responsiveness. Jeff must converse with Lauren on the business issues, while Lauren must listen and respond to Jeff's comments regarding the need for revisions of the product. Jeff and Lauren had begun to understand that their lack of communication, as well as their ineffective communication methods, had had a negative impact on their partnership. If their business was going to move forward, they would need to have an open discussion and consider the long-term ramifications of their inability to communicate openly, fairly as founders of a start-up enterprise.

Resolution: Analysis of Assumptions and Objectives

Jeff and Lauren shared a few incidents with the professor, regarding which he offered them insight and understanding. Take the example of Lauren and Jeff discussing the new design for the camera. Jeff had wanted to help Lauren by making suggestions, but, not having engineering training, the suggestions were not within the principles of engineering design. And Lauren had wanted to suggest a different calculation of cost and benefit, which could not be done. Both reached a gap, which reflected their differences in knowledge. Even when both were working on the same problem, this gap could have become a liability. An engineer sees the problem from engineering principles, and a businessperson sees the issues from perspectives that may have nothing to do with features, structures, and engineering principles. Given such a problem, the professor pointedly told them that people will look for a way to solve it that capitalizes on the knowledge they possess (Cronin & Weingart, 2007). The ability of the team members to bridge their gaps is absolutely imperative.

The process of idea generation can cause a great deal of anxiety among individuals. For one thing, the process may expose one's gap in knowledge or one's insecurities and deeply held assumptions, creating a negative emotional tension. Negative emotional feelings can hinder learning and creativity within the innovation process (Conway & Steward, 2009). An active role of empathy from Lauren's business-based colleague could minimize what was a frustrating situation for an otherwise confident engineer. Messages exchanged during a conflict management process not only convey information but also can reflect on the relationship (Meiners & Miller, 2004). For this reason, Jeff and Lauren should adopt a personalized approach, as an impersonal tone would reflect distance and defensiveness and could result in an out of control conflict management process and irresolvable situation.

Resolution: Alternatives

Before deciding on an action and composing an action agreement, Professor Klent spoke to Jeff and Lauren about identifying a number of alternatives the team could place on the table to then make an informed decision. The process of innovation at times has been referred to as "a journey" where an idea is navigated through a variety of landscapes, and many routes can lead to many different destinations (Conway & Steward, 2009). Wherever choices exist, conflict can emerge. In this stage of the conflict management process, the goal is to diagnose the problem and determine a course of resolution. In this model, the professor said, there are choices of action among alternatives in the conflict.

An appropriate example the professor used was from Fisher, Ury, and Patton in their landmark negotiation book *Getting to Yes* (1992). When a problem arises, traditionally individuals ask, "What is wrong? What are the current symptoms?" The next step would typically be to suggest actions and specific steps that might be taken to deal with the problem. Fisher, Ury, and Patton suggest an alternative to this process. Once a problem arises, diagnose the problem and then suggest approaches and possible strategies from a broad range of ideas without making an immediate suggestion for a specific solution. This adds alternatives to what might be done. Just because a team generates a list of alternatives does not mean they have to agree with all the alternatives. Alternatives mean more options for consensus.

What might seem a likely solution to the problem facing Jeff and Lauren would be to assign Jeff to be the business manager and Lauren to be the engineer; i.e., divide the roles and manage the enterprise accordingly. However, that might not be the best use of the partners' talents, nor would this be the most effective way of managing for conflicts in the future. There are many roles and responsibilities in a start-up.

Jeff and Lauren must determine what their respective positions will be in the enterprise, while also identifying various approaches to effective decision-making. If, for example, an investor spoke about revisions of the product, the engineer should have been consulted before a decision was finalized. Jeff may have eagerly agreed to make revisions, not knowing whether the suggested revisions were capable and within budget. Lauren, on the other hand, must be willing to consider alternatives to her original design if it improves the product, meets budget, and satisfies the market demand more effectively.

Resolution: Action Agreement

At this stage in their venture development, Professor Klent told the partners they needed flexibility in their approaches and trust in each other. An action agreement should be developed by consensus among team members, which is more likely to enhance organizational performance when they not only agree or abide in principle to the decision, but they both understand and commit wholeheartedly. A common understanding would give Jeff and Lauren the ability to continue to act independently but consistently with the actions of the other person and the spirit of consensus. In looking closely at the controversy between business and engineering, the benefits of a high-quality decision would be lost if the team lacks understanding or commitment needed to implement the decision at the forefront. An action agreement and ultimate resolution of this initial conflict sets a tone for future conflicts that will eventually occur. Sincere consideration must be given to the input of each side of the issue at hand. If Jeff and Lauren had chosen to manage their conflicts, they needed to acknowledge their differences of opinion and develop norms about how these disagreements and conflicts would be resolved. They should prescribe how they will deal with conflicts, promote mutual respect, establish communication patterns that enhance effective discourse, and recognize the unique knowledge each partner brings to the venture.

Maintenance: Feedback Review and Continuing Oversight

Finding a solution and mediating conflicts does not mean the problems are solved. Jeff and Lauren had begun a business venture without the appropriate business processes in place. This led to a gap in decision making between the two partners that required time-consuming intervention. Fortunately for them, this process was the catalyst for productive assessment and redirection of their goals for their enterprise. When business partners work well with each other, it is usually a mix of complementary skills and shared ambition that can turn a fledgling venture into an entrepreneurial success (Blank, 2009; Dorf & Byers, 2008). The future successes of their enterprise depend on their unbiased communication, flexibility, and trust in each other. Organizations that continuously provide maintenance and feedback and which have a set of conditions in place to manage their processes are likely to thrive in an ever-changing market.

Jeff and Lauren managed to take the conflict management model offered by Professor Klent and work out a strategy for dealing with conflicts. They reassigned the tasks and responsibilities of the partners, structured the decision-making process as a consensus, and most importantly decided that a lack of clear and definite communication had been one of the breakdowns in their relationship. They chose to establish open communication in face-to-face meetings and to respect each other's knowledge and skills. They agreed that Jeff would be the President and CEO and Lauren would be the Chief Engineer and Vice-President, and they wrote job descriptions that delineated their respective duties and responsibilities. Establishing these internal policies will prepare the team for future employees as the enterprise grows. Additionally, the partners agreed they would continuously monitor their partnership in order to maintain a healthy professional relationship.

SUMMARY AND CONCLUSIONS

This case study offers important implications for the dynamics of conflict management in an entrepreneurial venture start-up. A key premise in the literature on new product innovation is that the rate of new product introduction is a

function of a firm's ability to manage, maintain, and create knowledge (Smith, et al., 2005). Knowledge development and management is inherently stressful for organizations and calls for strategies and practices in decision-making. The success or failure of a venture falls squarely on the strategic decisions of the executive team. Making organizational decisions resulting in positive business results, however, may create interpersonal conflicts. Eisenhardt, Kahwajy, and Bourgeois (1997) studied a dozen technology-based companies and found that teams that were most productive and successful in their strategic decisions were most likely able to mitigate interpersonal conflicts.

Conflict over issues is natural, and may lead to more effective strategic decisions in today's environment. The use of some form of rigorous, open and interactively responsive debate of opposing views or positions would facilitate a superior single decision better than either of the initial positions themselves (Amason, 1996). The way a start-up team manages its conflicts may have a permanent effect on the success of its venture. Healthy conflict can quickly turn unhealthy and lead to an unproductive organization unless conflicts are managed appropriately. The role of conflict in decision-making is complex and multidimensional. There is a range of models to use in managing conflicts, depending on the nature of the conflict. The model proposed in this case study encourages open discussion and debate. Sometimes increasing discussion and debate may lead to interpersonal clashes that may harm relationships in an organization. In new business start-ups, the founders must be able to resolve conflicts without damaging their ongoing relationship.

The key to managing conflicts rests with the abilities of the participants to manage conflict without also creating interpersonal friction. Though the external environment in business may be constantly changing and often out of the firm's control, the internal environment of the organization can be managed, and that process begins with the founders. Utilizing the skills model of conflict management as a tool, as outlined in this case study, can lead to more expedient and successful conflict resolution that may increase the chance of a firm's over-all long-term success.

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