

Conflict Management and Negotiation in Family Business Succession: Critical Literature Review and research agenda.

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Abstract

This paper intends to stimulate a serious debate on the topic of conflict in family businesses and the theory of negotiation as a tool to resolve these conflicts. The methodology is based on the collection and systematization of the main literature on these topics. The study results show that, despite the literature on conflict management is highly developed as well as literature on family business, scholars and researchers have not yet deepened several areas of conflict management in family businesses, so the two fields of literature are yet not well integrated. The paper then proposes a research agenda identifying the issues and research gaps that should be explored by researchers in order to reach a more mature literature on conflict resolution in family businesses.

Keywords: conflict, family business, succession, negotiation.

Article classification: Critical Literature Review and Research Agenda

Introduction

Nowadays, family businesses play a fundamental role in the economic development of all countries of the world, and they have always represented one of the key elements of capitalist models. According to data provided in the *Business Yearbook 2014*, family businesses anywhere in the world represent the majority of all businesses. They also represent the category of companies that most of all contribute to the production of the GDP: in 2014 in Europe 70% of GDP was produced by family companies. These statistics have been studied by academic scholars, according to which (Shepherd and Zacharakis, 2000; Sharma et al., 1996) family companies control a huge percentage of GDP in most capitalist countries. Family businesses also use more than 80% of the workforce employed overall by all companies (Neuberg and Lank, 1998).

A critical aspect of family businesses is the intergenerational succession. It is estimated that only 30% of family businesses survive after the first generation (Davis and Harveston, 1998, p. 32; Handler, 1990, 1992; Ward, 1997). Several scholars have identified different causes of generational change failures, such as inability of the incumbent generation to step down, the lack of engagement of incoming generation, conflict of visions between heirs, a lack of planning and preparation for the succession (e.g. Dyer, 1986; Handler, 1990, 1992, 1994; Morris et al., 1997; Gersick et al., 1997; Kets de Vries and Miller, 1984, 1987; Kets de Vries, 1996; Landsberg, 1999; Miller, 1991, 1993).

Family businesses live within themselves lit conflicts, and this is mainly due to the fact that the members managing the company are bound together not only by co-ownership, but also by family ties and this creates a nexus of economic and family-centered goals to be simultaneously achieved (Kotlar and De Massis, 2013). Due to this fact, the relational equilibria within family businesses are very delicate, and therefore subject to a greater amount and intensity of conflicts.

With reference to conflicts, a specific field of research called conflict management, dedicates one of its main stream to the theory of negotiation. After some early contributions (Fisher and Ury, 1981; Raiffa 1982), the milestone of the field is the work of Lax and Sebenius (1986) who have tried to reconcile previous studies by encouraging the spread of negotiation theory in management area (Caputo, 2011).

However, despite the literature on these two strands, i.e. conflicts in family businesses and conflict management, is very wide, scholars have not yet fully deepened several areas of conflict management in family businesses. In other words, the two strands of the literature are still not fully integrated today, so there are no comprehensive studies with a general application of conflict management theories to conflict resolution in family businesses.

This paper intends to propose a critical literature review on the topic of conflict in family businesses and negotiation theory, by possible links and research avenues proposing a collection and arrangement of the main existing literature on these topics. The paper also proposes a research agenda to identify issues and research gaps that should be explored by researchers to reach a more mature literature on conflict resolution in family businesses.

The paper is organized as follows; after this introduction, the first section presents literature on family business in order to frame the main features of family companies and the importance of the family members' skills. The second section presents literature on conflict management and the theory of negotiation. The third section focuses on types and characteristics of conflicts in family businesses, with particular reference to the intergenerational succession. In the conclusion paragraph, finally, the research gaps are found and a useful research agenda is proposed in order to integrate the two research field stated in the previous paragraphs. Following this framework, it would be possible to develop in the future a new body of literature related to the resolution of conflicts among family members.

1. Family business

Definition and characteristics of family businesses

Giving a definition of family business is quite difficult; even in literature there is no fully agreed definition. Several scholars have addressed the issue of family business (e.g. Borheim 2006 Litz 1995 Astrachan et al. 2002).

There are certainly some elements that help to clarify the characteristics of family businesses (Mandl, 2008; Lambrecht and Naudts, 2008):

- The founder (or an heir of the founder) head of the company (or in the leading position);
- Other family members are employed in the company and/or participate in the property and/or the internal decision-making process;
- Non-family managers (if any) are aware of being influenced decisively in their actions by the family group .

The European Commission has also provided a definition of family business, i.e. companies of any size where:

- The majority of decision-making rights are owned by the natural person (s) who established the company, or in the possession of the natural person (s) who has / have acquired the share capital of the company, or in the possession of their spouses, parents, child, or children's direct heirs.
- The majority of decision-making rights are indirectly or directly connected to the family.
- At least one representative of the family or kin is formally involved in the governance of the company.
- Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their Families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

Corbetta (1995) defines family business a business in which one or a few families, linked by ties of kinship, affinity or strong alliances, holds a sufficient share of risk capital to ensure the control of the business itself, even if this effective and governance control is carried out by directors and/or managers outside the family (but trusted and close to the family people), till

including the case in which no member of the owning family is engaged in the management of the company.

Several authors in the identification of family businesses apply a “family ownership” index, so the intensity of family control through the ownership of shares of the relevant share capital represents, in many contributions appeared in important international journals, the starting point for the characterization of companies as "family" or "non-family" (Gibb and Dyer, 2006).

Martínez et al. (2007) define a company "*family-controlled*" if one of the following conditions exists: a) control by a family made through the election of the majority of the *board* members, with direct participation of family members in the board and/or the top management; b) control through the election of a majority of members in the board by a group of families (two to four), with direct participation of family members in the board; c) the company belonging to a group of companies associated with a family; d) company belonging to a group of companies associated with an entrepreneur who, despite not having direct descendants, have designated their successors among his family.

Thus, a common element of all these definitions that characterize a the company as a *family business* is the role of the founder, whose presence in top positions of the managerial structure gives greater strength to the familiar character. Anderson and Reeb (2003), for example, consider, among discriminating elements, the condition that the Chief Executive Officer is the founder or one of her/his descendants. This centrality undoubtedly has a greater importance in the case of smaller family businesses, where the entire organization, management and governance are shaped to fit the entrepreneur, from who they receive a unique imprinting.

Yet, another common aspect is the family involvement (Chrisman et al., 2010) that also define the “behavioural aspect of being a family business (Chua et al. 1999). According to), Within the domain of small businesses, family companies are those companies where there is a high involvement of family members in the managerial structure as key roles (Daily and Dollinger, 1992) and ownership,, but also in the operational management (Beehr et al., 1997).

Skill of family members and training in family businesses.

The issues of training and development of individual skills assume a particular emphasis in family businesses and even more if the generational passage is considered (Handler, 1992; Gersick et al., 1997; Mazzola et al., 2008. In fact, the investment in training and development of individual skills of family members, especially young generations that will guide the company in the future, it is essential in order to ensure continuity in time in the family business (Barbera et al. 2015).

In family businesses, training first of all is considered as the best tool for the gradual integration in the company of family members (Hadler, 1990). This training for integration of a family member presents elements of substantial differentiation with respect to the training for the entrance of external managers in the company. For non-family managers, vocational training is generally carried out before joining the company, and it aims to fill up the expertise gap in the organization. In the case of family members, instead, training and skills

development can take place not only before the integration, but it is an ongoing process even after joining the family business. Indeed the goal is not simply to fill skill gaps, but more broadly, encourage the entry of a member who will reap the family-business values and the relation system with stakeholders, in order to ensure continuity in the future generational change.

The training strategy must therefore be appropriately defined to ensure business continuity in generational change. According to Meignant (2009) there might be some critical points in translating the orientations into effective training policies consisting of concrete objectives, achievable and compatible with the human and financial resources available, based on the proper definition of the requirements sources and the characteristics of the recipients of the interventions.

The success of a training strategy and development of the skills of a family can be attributed to three factors:

- 1) individual factors (skills, competencies, knowledge, relationships);
- 2) business environment factors (opportunities, constraints and limitations inherent to the business system that depend on the organizational structure, on the market, the company history, etc.)
- 3) training strategy, which includes multiple possibilities of focusing:
 - General management training, meant as training for the development of managerial skills, which can be acquired through traditional channels of learning (universities, specialized studies) or personal experience (learning by doing, even in different operating environments);
 - Sector and function training, i.e. specialist studies necessary to operate in competitive sectors or specific business functions, which develop mainly with field experience;
 - Training for succession, finalized to the transfer of corporate knowledge (history and values of the company and the family) in the generational succession perspective (Daspit et al., 2015).

The family member, before and after joining the company, needs to develop some skills. The family member competencies are based on knowledge, skills and abilities in a professional environment, and these must be recognized by other members of the company through both formal (assessments) and informal (reputation) judgments (The Boterf, 1994).

Speaking of skills, in literature the issue of the translation of knowledge into skills has been addressed through empirical studies related to decision-making problems, through organizational learning and through empirical studies aimed at identifying the main areas of concern (e.g. March et al., 1993, Weick 1995). Other management studies (e.g. Porter 2001 Norman 1979 Argyris 1989) have addressed the issue of skills at a "business" level, which highlight the importance of skills and core competencies and of detection mechanisms and their reinforcement, as a source of competitive advantages over competitors. Other contributions can be attributed to the resource-based approach, whose first developments date back to the eighties of the last century (e.g. Wernerfelt B. 1984 Rumelt R.P. 1984). The first elements of this vision had already been proposed in earlier studies (e.g. Penrose 1959), then

integrated with the dynamic skill theories that widely expanded the analysis perspective (Teece and Pisano, 1994). Attention has been paid to the huge role of all resources, defined as all assets, capabilities, skills, organizational processes, corporate characteristics, information, knowledge for survival, growth and overall effectiveness of the company (2006 Barney, Barney 1991 Peteraf 1993).

The achievement of competitive advantage is based on scarce company resources, so even on internal expertise that each company possesses (Kraatz and Zajac 2001).

The *competence based view* is an interesting theoretical evolution, aimed at overcoming some of the limitations inherent to traditional formulations of the *resource based view*. It is important to note that the jurisdiction that the authors refer to is not considered as a characteristic of individuals, but it is more properly conceived as a set of transversely spread knowledge and skills in the organization. This aspect assumes a specific importance for family businesses, considering the indissoluble bond that can be licitly postulated between culture and values of the business system and the family.

Training allows a progressive alignment of attitudes and personal skills to the organization's needs. According to Bonti (2012) among the lines of development for small and medium-sized enterprises it's necessary not only to a balanced mix of entrepreneurship and managerial skills, but also the processes of learning and development of organizational skills. In this study, through the analysis of relevant case studies, the role of training in different business contexts is analyzed.

Nonaka (1991, 1994), about the methods of creation and dissemination of knowledge, distinguishes between an explicit knowledge, that is formalized and, therefore, easier to transmit, and an implicit knowledge, "tacitly" embodied in individuals, which consists of technical knowledge and cognitive elements. The new business knowledge, tacit and explicit, originates from the interaction between individuals and more complex aggregations (groups, company organization, social systems), through different ways (socialization, externalization, combination), triggering what the author calls "the spiral of knowledge in organizations ": this construct approaches the individual and social dimensions of knowledge, enhancing the necessary interactions.

The recognition of competences is functional to the overall improvement of the performance of family business, which depends on the coordinated contribution of each family member.

In this view it's interesting to refer to the theoretical approaches that favor a stronger focus on the individual perspective (Boyatzis, 1982). Spencer and Spencer (1993) develop a definition of competence as "individual intrinsic characteristic", made up of differentiated and uneven elements, such as: motivations that push a person to act; the traits from which cometh the propensity to adopt certain behaviors or reactions; self-image, which sums up the perception of self in relation to own values and attitudes system; knowledge, referring to the ability to choose the best option in a given situation (although not involving a conduct necessarily conform to such awareness); the skills, i.e. the ability to perform a job effectively. The skills building activities aim at achieving, as defined in the model of Boyatzis (1982), the so called "actions or superior behaviors" which originate from the combination of the main factors that influence the effectiveness of a person's behavior, such as individual skills, organizational

environment and the peculiarities related to the specific role played in the organization. Boyatzis also distinguishes between the "threshold" skills necessary to perform duties at a level that can be considered acceptable, from the distinctive ones which possession is a prerogative of the best performers.

Some authors (Ellstrom, 1997) differentiate among competence and qualification; in the first, skills are the human capital attributes that can be transformed into productivity, while the qualification is the prerequisite for the performance of certain tasks.

Other authors (e.g. Tanguy, 1998; Zimmerman, 2000) showed that there is no automatic link between obtaining qualifying titles and the actual possession of necessary skills to cover certain roles.

In addition, in the knowledge transfer to a family member, the only experience that the person owns in the company is not sufficient to ensure automatic skills' transfer. According to Levy-Leboyer (2009), the experience, in order to be able to really help skills development, must have certain characteristics: it must make changes in the roles and responsibilities that follow from the taking of decisions; there must be a reworking process of information which people would make the most of; the nature of the experience, finally, must present a certain degree of consonance with the individual's cognitive style.

The family member, to be competent, must "learn to learn" from different sources and through multiple learning, growing and qualification pathways. In this process of skills development lurk critical issues connected to other people's expectations, to pressures and personal motivations, which may be a propulsion element or a brake in skills development.

2. Conflicts and conflicts management

Type of conflicts

In literature three type of conflicts have been identified: task, process and relationship conflict (Jehn, 1995; 1997a).

The *task conflict* regards issues that may arise in the discussion of the objectives and business strategies. This type of conflicts can improve decision quality by threads; however only moderate task conflict models can bring benefit to teamwork. Companies with high levels of task conflict, in fact, may have problems in completing their goals for excess of conflicts, while companies with low levels of task conflict often remain stagnant and have a lack of development of new strategies because of low intensity discussions on business objectives.

The *process conflict* is the conflict that arises from disagreement on how to do the work and internal processes, and what are the tasks to be performed by employees/members. So this conflict refers to responsibilities and tasks that are assigned to the various individuals within the company.

Finally, unlike the task and the process, the *relationship conflict* has an important affective component. In particular, the relationship conflict occurs when there is personal and human incompatibility between members of the company. This type of conflict may adversely affect

the results of a company because it causes stress, hostile behavior and the perception that the other members have ulterior motives.

In relevant literature, another classification distinguishes between cognitive and process conflict (Jehn, 1992, 1997 a, b; Jehn and Mannix, 2001; Putnam, 1994). Cognitive and process conflicts are work-related conflicts lacking of negative emotions (Jehn 1994, 1995), that are evaluated positively because they increase options, prevent premature consensus and encourage the involvement of workers (Tjosvold, 1991; Wall et al., 1987). The *cognitive conflict* is related to disagreements linked to operational work and strategies to be pursued (Jehn, 1997b), while *process conflict* relates to discussions about who is responsible for each task (Jehn and Mannix, 2001).

Family businesses are often criticized because they limit the participation in the company's decision-making process to family members (Eddleston and Kellermanns, 2007; Stavrou, 1999) and because they hire people only because of their family status and not of their qualifications (Kellermanns and Eddleston, 2004). For these reasons, the two types of conflict may be particularly important for the success of family businesses, and they need a better management. These conflicts, therefore, must be well addressed and understood, instead of being avoided (Kaye and McCarthy, 1996). In this discussion, it will be addressed with major emphasis a stagnation perspective of family business (e.g. Schulze et al., 2001), however, this does not neglect the fact that even more virtuous and steward family business Miller et al., 2008) may face similar problem at least potentially.

The *cognitive* conflict focuses on objectives and strategies that a company should pursue. Previous studies have consolidated the idea that the cognitive conflict increases the opportunities to be included in a possible of choice and their quality (Kellermanns and Eddleston, 2006). In general, the cognitive conflict improves decision making by articulating more discussion on what specific tasks need to be addressed. The cognitive conflict facilitates the critical assessment of problems, ensuring that the major alternatives would not be neglected and also more innovative or non-conform solutions would be evaluated (Jehn, 1995). Actually, if problems are seen in a different way, and the differences are discussed openly and without the involvement of emotions, critical and negative thinking of the group can be avoided and a greater consensus on issues can be reached (Jehn 1994, 1997a; Kellermanns and Floyd, 2005). The presence of cognitive conflict can be particularly useful in family businesses in order to allow these companies to constantly analyze their strategies and their goals. It can help people identifying and better understanding the problems that company faces (Putman, 1994) and developing new ideas and innovative approaches (Baron, 1991). In addition, it was shown that such conflict increases creativity while at the same time reduces opportunistic behavior of individuals (Jehn and Bendersky, 2003).

Family businesses often suffer from a stifled growth because they fail to adapt their strategies to changes in the environment and tend to limit the participation to family members in the decision-making process. Therefore, the cognitive conflict can have in many cases a positive effect on the performance of family businesses by facilitating the critical evaluation of strategies and company's work (Eddleston and Kellermanns, 2007).

The *process* conflict focuses on how the capacities of individuals can be used to perform a specific job (Jehn and Bendersky, 2003). In particular, this conflict stimulates discussion on how a job should be done and how workers should be managed in the company (Jehn and Mannix, 2001). Its functionality is therefore helping to ensure that an appropriate role is assigned to the most skilled person (Jehn, 1997b). The effects of this type of conflict on performance are not always consistent (Jehn and Mannix, 2001). However, researches confirm that when assigning roles and responsibilities and changes must be imposed, process conflict increases productivity and group performance (Jehn, 1997b). Since in family companies, family members are often hired because of their family status and not because of their qualifications, such conflict could be particularly important (Kellermanns and Eddleston, 2004). An excessive presence of not completely qualified family members is likely to be less accurate in the strategic action and have less chance to survive in the market (Landsberg, 1983). These companies, therefore, are mostly in need of process conflict to actually use the talents of various family members (Kellermanns and Eddleston, 2004). To achieve this, it must be taken the best from each family member, taking advantage of all their potential, and this can establish an effective control group for the company (McCann et al., 2001). The process conflict promotes the discussion of technical qualifications (Jehn, 1997b), mostly important for family business, because family members occupy the highest positions in the organization (Kellermanns and Eddleston, 2004).

In summary, the cumulative effect of process conflict should lead to increase the adequacy of tasks, improve resource allocation and to reassess the standards over time, resulting in an improved business performance (Jehn and Bendersky, 2003).

Conflict management and negotiation theory

Generational conflicts especially during successions are likely to occur; thus traditional approaches and theories of conflict management could be useful. In order to preserve the familiar nature of company's balance over time it is necessary to understand, anticipate and manage the conflicts that arise at different stages of the succession process between generations.

Over the years "negotiations" theory has been proposed, which assumed, as a principal target of the investigations, the development of techniques and models to solve business problems and also political conflicts. In the field of study on strategic ways of cooperation between companies, management theorists deepen the aspect of decision-making processes commonly known as "negotiations" (Garrone, 1914; Ceccanti, 1962; Rubin and Brown, 1975; Gulliver, 1979; Raiffa, 1982; Lewicki and Litterer, 1985; Lax and Sebenius, 1986; Gatti, 2008; Barile, 2009; Della Piana and Head, 2009; Caputo, 2011, 2013). with a specific highly interdisciplinary line of studies called negotiation analysis, that is still a quite recent topic (Lewicki et al., 1996, 2014).

Some authors define negotiation as a decision-making process aimed at conflict resolution (Garrone, 1914; Rubin and Brown, 1975). Zartman (1977) defines negotiation as a joint decision-making process between two or more parties in order to combine conflicting

positions in a single decision. Other authors (Gulliver 1979; Thompson 1967) introduce in their definition the new concept of interdependence among parties, resumed and expanded in the economic sphere. Pruitt (1981) and Raiffa (1982) place emphasis not only on classification as a joint decision-making process among interdependent parties, but also on the differences between the interests of the opportunistic and partially in conflict nature of parts. Gatti (2008), qualifying negotiation both as a way to take joint decisions between multiple parties and as a process, defines it as “a joint decision making process between two or more individual or collective actors”.

Lax and Sebenius (1986) argue that this process can end up with an agreement achieved through an activity of creative research.

Negotiation occurs in a situation where two or more parties have a conflict of interest, but at the same time share a zone of possible agreement (ZOPA) because of which differences can be resolved. In these cases, the parties prefer to resolve the conflict through a mutual agreement rather than taking more hard and suffering methods (Ogliastri and Quintanilla, 2015).

Studies relating negotiation in management have focused mainly on the negotiation processes among companies, customers and suppliers (Ceccanti, 1962; Lax and Sebenius, 1986), by adopting depending on circumstances: a) a *normative* approach (based on some classical economic concepts as the objective or absolute rationality, and the maximization and optimization concepts); b) *descriptive* (based on the actual behavior of individuals, and thus based on a deliberate and bounded rationality that leads to "satisfactory" decisions); c) *prescriptive* (aimed at providing pragmatic advice, weighted on decision makers and problem's characteristics, in order to improve decision-making process of limited rational individuals). Raiffa (1982) points out that these orientations should be considered complementary and not alternative, in order to catch and exploit the possibilities of interaction.

Negotiation theory has a prescriptive nature, and it is configured as a synthesis of the economic-mathematical and socio-psychological approaches (Caputo, 2011). The first works related may be considered two: Fisher and Ury (1981), which is closer to the psychological and behavioral doctrine, and Raiffa (1982), attributable to game theory and, more generally, to mathematical- statistics disciplines. Lax and Sebenius (1986) have sought to reconcile the two previous approaches, contributing to the spread of negotiation theory in management (Caputo, 2011).

During the years several theories regarding negotiation, its aspects and different solutions for its use in the most efficient and effective way have been developed. According to Fisher, Ury and Patton (1991) four principles have to be followed in negotiation: separating people from the problem, focusing on the interests of the individual parts, create alternatives for a collective gain, define certain objective criteria. These authors follow a rational approach, advising negotiators to leave emotions out of the process as much as they can, as well as it happens with cognitive and process conflicts (Ogliastri and Quintilla, 2015).

Today many researchers instead focus on emotions in negotiation and on how emotions are linked with personal differences in the negotiation process. Pinkley (1990) argues that

negotiators should focus on the following factors: the way to look at the parties in conflict and the interests they bring (incompatibility, emotions, results), the conduct of the conflict (winning or seeking compromise), and time that has to be taken into account (will there be relationships among parties even after the outcome of the conflict?). Pinkley and Northcraft (1994) also argue that these cognitive frameworks do not affect only the content of the agreement, but also the products of negotiation.

The negotiation theory implies not perfectly rational actors, with emotional and cognitive limits (Simon 1957; Cyert and March, 1963) and without a perfect and collective knowledge of the situation, of the possible interests and of the counterparty behavior (Lax and Sebenius, 1986).

Sebenius (1992) describes some key features of negotiation in management. He assumed that negotiating parties give feedback on probability of events and outcomes of negotiation, and therefore they don't depend on game configuration. In addition, he assumes that the outcome of negotiations depends significantly from subjects' perceptions of the parties (radical subjective perspective). In the formulation of the author, the possibility of the existence of inefficient agreements (possibility that the parties leave value on the table) appears, and the need for a possible positive zone agreement in a way that the parties can reach an agreement is assumed (Zone Of Possible Agreement - ZOPA).

The ZOPA is the set-intersection of the sets representing the different configurations of interests of the parties involved. The ZOPA can be represented by a Euler-Venn diagram. So in order to have the possibility of reaching an agreement among the parties that are negotiating, the ZOPA must necessarily exist (figure 1).

Figure 1. About Here

Literature, over the years, has focused on locating, enlarge, or even create this ZOPA, in order to increase the chances of reaching an agreement among the parties involved in the negotiation. The main path identified to work on ZOPA is intervening on the elements of the "negotiating structure." According to Cats (2008), the negotiation structure is the set of components and relations among them that is the basis of negotiation as a joint decision-making process.

The negotiating structure is constituted of three basic elements: a) the number of parties involved; b) number of issues of negotiation; C) preferences and, therefore, the parties' interests. This approach allows the classification of negotiation according to the three above criteria.

So negotiations can be distinguished among *bilateral* or *multilateral* (Raiffa 1982) and parties, likewise, can be configured as individual or collective, depending on whether negotiation is carried out by either an individual or a group of individuals.

Moreover, negotiations on *an issue* or *more issues* (Raiffa, 1982; Sebenius, 1983) and cases where conflicts relate to specific problems or matter of principle can be distinguished.

Finally, negotiations can be divided in *distributive* or *integrative*.

The literature generally emphasizes how multilateral negotiations usually present very different development dynamics than bilateral, in function of three-dimensions: i) greater amplitude; ii) greater complexity; iii) greater heterogeneity. Multilateral negotiations are made by several heterogeneous parties, and each of which with its own configuration of interests and issues, helps to expand the object of negotiation and thus to complicate the process.

In *distributive* negotiations (also called win-lose or fixed pie) the parties are in conflict and they have conflicting interests, so it is difficult to reach an agreement that is satisfactory for both parties. The distributive negotiation is therefore a process of negotiation in which the parties win or lose (Caputo 2011). The main feature of the distributive negotiation, widely used in the literature for educational purposes (game theory), is that the object of negotiation is not expandable. The value of the object of negotiation is fixed, and this value during the negotiation process is distributed between the parties (and Ogliastri Quintilla, 2015). It follows that the negotiation takes place through the sharing of benefits arising from the object. The idea of distributing a value among parties leads to inefficiencies, tensions in relations and complicates the creation of value in the negotiation. The negotiations, therefore, will take place through a series of concessions by the parties in order to get closer to a satisfactory point of agreement. Raiffa (1982) in his laboratory experiments identified how statistically the point of agreement between the parties falls around the average of the values announced as first offer by the negotiators. Other studies, however, focus on stock or resistance values (Blount et al., 1991).

The *integrative* negotiations (also called win-win or expandable cake) offer the possibility to reach a satisfactory agreement for all parties (Pruitt, 1981; Caputo, 2011).

In *integrative* negotiations the interests of parties are not totally opposed, and they are also characterized by an object of expandable negotiation. In these cases, the possibility to reach a better agreement for both is more likely in the supplementary negotiations than in distribution ones. Unlike distributive negotiation, the parties involved in the integrative negotiation can both maximize results before reaching the agreement (Ogliastri and Quintilla, 2015). Since both can maximize their results, the object value of negotiation can be distributed among parties in an objective manner, avoiding disputes and tensions during the negotiation process (Ogliastri and Quintilla, 2015).

The dual concern model

In order to categorize what it has been said, the *dual concern model*, which is one of the most popular frameworks validated empirically (Rubin et al., 1994), can be used.

This model finds its origins in the contributions of Blake and Mouton (1964) who, analyzing the micro-conflicts at the interpersonal level, showed that conflict management in companies is done in a different manner depending on whether the interests of the managers are production – oriented (then to the tasks and results of his efforts) or people – oriented (so to reports).

Thomas (1976) extends this model, arguing that the degree of attention and desire of a part will determine the behaviors during the conflict situation. In particular, the behavior is determined by the degree of desire of the part towards their needs, interests and goals (level of assertiveness to own interests) and the needs, interests and goals of others (cooperation level). After the contributions of Blake and Mouton (1964) and Thomas (1976), the dual concern model has been expanded, to represent different styles of conflict, where every style is the tendency of an individual to manage the different type of conflicts in the same way (Rubin et al. 1994). The model includes two dimensions: on one hand the importance that the individual attributes to trading, on the other hand the importance that the individual relates to the relationship with the other party.

The result is the possible mapping of five trading styles, synthetically represented in figure 2: the *accommodating*, the *collaborative*, the *avoiding*, the *competitive* and the *compromise*.

Figure 2. About Here

The *accommodating* expresses one accommodating style, according to which both parties show little interest in obtaining the results that had been proposed, and are more interested in the achievement of outcomes that the counterparty wishes. In these cases, the individual let the other individual win to obtain side benefits. The *collaborative* identifies an integrative style, where the individual has an interest not only for its own desired outcome, but also for the other party. The *avoiding* is the inactive style, in which the parties have little interest to achieve both their outcomes and to those of counterparts. The *competitive* is instead a competitive style where every individual pursues with determination personal result, showing little interest in the results of the other party. The *compromise* is a compromise style which shows a moderate effort, often combining tactics and behaviors of the other four styles. With this style parties seek to achieve not only their results, but also those of the other party. Unlike the integrative style, both sides are willing to give up something.

Pruitt and Rubin (1986) add that the decision to use a style is a strategic choice by the individual on the basis of the probability that the style will be successful in a given negotiation environment.

Conflict strategic management: from distributive to integrative negotiation.

Sebenius is one of the firsts that identified the possibility to change the characteristics during the negotiation process, and in particular the elements of the negotiating structure. These elements, during the negotiation process, may be subjected to various changes. These changes may depend on the natural evolution of the negotiation process, or they can be strategically willed and determined.

The manipulation of negotiating structure elements is called *negotiation arithmetic* (Sebenius 1983), and allows to edit items in a strategic way. This strategic manipulation can be used in order to create value (*creating value*) for the various parties involved, which means trying to turn a distributive negotiation in an integrative negotiation. This can be achieved by acting on the number of parties involved or the number of issues. Obviously intervening strategically on the negotiating structure aims to increase the ZOPA, in order to increase the chances that an agreement could be reached between the parties.

According to Sebenius the number of parties can be modified in order to move the negotiation from a distribution setting to an integrative one. The number of parties can be changed by internal or external individuals. In some cases, the addition of a party may be required to reach the agreement, and this can happen for example if the added party has a material influence on other parties, or if the party has a personal interest in achieving agreement or if it allows to strengthen a coalition thanks to which it will be most likely to achieve the agreement. The output of the negotiating parties can also have positive effects: for example, it reduces the complexity of the negotiation process, because it reduces information costs, or because it increases the probability of reaching agreement by the majority of the original participants (Caputo, 2011).

It is also possible to modify the number of negotiating issues. The number of question can be increased in order to create more convergence of interests between the parties and increase the chances that the agreement is reached. Increasing issues may also have negative implications, complicating the negotiating activities or eliminating the possibility of solving other important issues for the company. A decrease in the number of issues have positive effects because it simplifies the process of negotiations, thereby facilitating the achievement of an agreement.

Finally, therefore, a strategic action must be taken on the structure of the negotiation process in order to increase the ZOPA. However, intervening on the number of parts (increasing or decreasing) or the number of questions (increasing or decreasing) does not always lead to positive results, because as we have seen, there are *trade-offs* that must be properly assessed (Caputo 2011).

3. Conflicts in family business

Family businesses, as in general also nonfamily ones, live internal conflicts among the members of the organization.

However, the potential for conflicts in family businesses seems to be higher (Lee and Rogoff, 1996). This is because of family ties and business bonds among company members are intertwined, while in other type of business family ties are kept outside the company. According to Harvey and Evans (1994), the potential for conflicts in family companies would be higher because it depends on the combination of conflicts in the company and conflicts stemming from the family. Interpersonal conflicts loaded of negative emotions such as resentment and animosity, if not handled in the right way, obviously hurt the performance of family business (Eddleston and Kellermanns 2007).

Among the various conflicts that may occur in family businesses, the transition of the company from the old to the new generation, called "generational change", can be considered one of the crucial. The generational succession is a very delicate and very risky phase and, unfortunately, it is often underestimated (Mazzola et al., 2008). If not planned in advance and managed well, this process can provoke failure as a result of conflicts even in prosperous and consolidate companies. Indeed, only 30% of family businesses survive after the first generation, and that a large number of them very soon fails when the second generation acquires control (Davis and Harveston, 1998, p. 32; Handler, 1990, 1992; Ward, 1997). The reasons can be many: an unclear and badly organized planning succession, incompetent or unprepared successors, rivalry between members (Dyer, 1986; Handler, 1990, 1992, 1994; Morris et al., 1997).

The lack of understanding between generations, and the conflicts that may arise, make dangerous the inheritance. The entrepreneurial succession is a recurring theme in the literature. The generation change involves: the choice of a successor, the assessment of its characteristics, the relationship between the predecessor and successor, the analysis of the phases that comprise the generational succession.

Several studies have also shown that the inter-generational succession can be affected by factors that result from an inappropriate relationship between the older generation and the new generation (Gersick et al., 1997; Kets de Vries and Miller, 1984, 1987; Kets de Vries, 1996; Landsberg, 1999; Miller, 1991; 1993). According to Miller et al. (2003), this inappropriate relationship can result from a successor bonded to the past (conservative successor), or a successor that rejects the past (rebel successor), or an incongruous mix of past and present that makes insecure and unstable the new leader. Therefore, the continuity of the company may be affected by unresolved conflicts between the past and the new generation.

The theme of conflict in family businesses is not new (e.g. Levinson, 1971), and also more recently the academic debate proposed contributions on conflict management in family businesses (e.g. Stalk and Foley, 2012; Alderson 2015).

The entrepreneurial succession is seen as a process, articulated in several stages, which winds along a fairly long period, involving a number of roles and contemplating a series of activities that can be observed simultaneously or sequentially (Cabrera-Suarez et al., 2001).

A clear picture of the complexity of the dynamics that occur during the succession may be seen in the Handler model (1990, 1994), inspired by an organismic vision of the company and based on the typical approach of enterprise life cycle models. The succession is presented as a slow and evolutionary process of *role mutual adjustment* between the founder entrepreneur and the next-generation members: each stage of this process is associated with specific behaviors role of the predecessor and the successor and the transition from one stage to another is guided by the transfer of these roles.

The generational succession is a process that can create business development opportunities, but at the same time it's the moment when new problems emerge for the enterprise (Del Bene, 2005).

Literature has proposed various interpretations of what is meant by success of the generational change: for example, the maintenance of property in the hands of the founding family, the actual taking charge of the company by the designated successor, satisfaction of all stakeholders, absence of conflict situations. These factors can all be considered as success causes of intergenerational succession.

Succession must be properly prepared through a specific training period of the successor, and also a period of co-management, where the outgoing and incoming entrepreneur share management areas to facilitate the transfer of corporate knowledge that invokes the concept of "familiness" (Habbershon and Williams 1999; Cabrera-Suarez et al., 2001; Habbershon et al., 2003). The designated successor, through a mentoring of the predecessor and direct and personal interactions, may autonomously manage the process of learning the job skills, which are mostly tacit and idiosyncratic. This set of knowledge and skills, which give specific content to the familiness (Bonti and Cori, 2012), can be linked to the achievement of a specific product/service or a specific industrial sector, or may have purely an organizational nature related to the approach and methods of family relations management.

A greater or lesser propensity to delegation of managerial responsibility and the identification of independent decision-making areas (Bonti 2012) are closely linked to the attitudes and the natural propensity to delegation of the outgoing entrepreneurs, rather than the possession or development of management skills on the part of the heir. When at this stage there is a reduced delegation to the successor, intergenerational conflicts may arise.

Some studies about long-lived family business (Bonti and Cori 2011, 2012, 2013; Rossato and Giarretta, 2014) highlight the importance of integration between traditional and innovative skills at each generational shift (Cori and Bonti and 2014). With this integration continuity can be ensured because the traditional knowledge that led to the achievement of the initial competitive advantage is maintained, but the addition of new knowledge, which can be useful to keep strengthening the company's competitiveness, is not precluded.

The progressive integration between traditional and innovative knowledge can take place in three ways, and in each of them there are different potential conflict (Bonti and Cori, 2012):

- a lack of continuity from the incoming generation, which falls "captive" by an overly conservative culture; in these cases, the successor can implement, consciously or unconsciously, a "revenge" of the heir against the authoritarian approach of the predecessor, where the heir can categorically reject traditional knowledge replacing it with new knowledge; the risk is that changes after the generational succession would be radical and unnecessary, and therefore risky for business continuity.
- incoming and outgoing generation are consenting and collaborative in integrating traditional and innovative knowledge; in these cases, the succession is more careful and shared, reducing the risk of compromising business continuity;
- the new generation, in the case of several heirs, is divided into a conservative part and an innovative part; in these cases, the outcome is very uncertain, because the outgoing entrepreneur could ally with the new conservative generation; the risk is the procrastination of tensions which can be a source of uncertain trajectories of development and family continuity.

4. Conclusions: the importance of studying conflict in family businesses and the need to integrate such field with conflict management theory (research agenda)

As seen above, conflicts in family businesses can be very intense. This is because the company is controlled by individuals who are both organizational members (bound by owners and economic constraints) and relatives (so linked by ties of kinship). When making corporate decisions, then, unlike the non-family companies, the potential conflict arising from the owner bond is also increased by the potential conflict arising from parental tie.

Moreover, it has been seen how the conflict can be intense in the case of intergenerational succession. Throughout the period of transfer of company control from the previous generation to the new generation, conflicts may arise.

Conflicts must be handled in the best way during the generational succession. In fact, the succession is a very delicate moment: conflicts, skills, training, accountability must be managed, otherwise the risk of compromising business continuity at a time when control passes to the next generation.

There are some high-profile cases of failures of familiar historical companies for the inability to manage the generation shift.

The Bancroft family owned the property of Dow Jones & Company until 2007. This company published statistics and DJ indexes, and was also owner of the Wall Street Journal. It was a company belonging to the same family since the 1900s. Over the next generational succession, the heirs were primarily worried to receive dividends and annuities rather than engaging in the management, often preferring outside managers. The family lost control of the company after a takeover by Rupert Murdoch's News Corporation. In this case, it appears that the problem in the intergenerational succession consisted of *failure from successive generations to assume the responsibilities* of management.

Barings Bank was among the oldest commercial banks in the United Kingdom, founded in 1762 with more than 200 years of history. It was a family-owned bank. For a number of very risky investments made by an executive who was in charge of a branch in Singapore, they recorded losses of \$ 1.3 billion, and the bank went bankrupt in 1995. The owners-heirs who controlled the company were unable to implement effective control systems on foreign branches, leaving to whoever was in charge too much discretion. In this case, it appears that the problem lay not in the generational succession lack of accountability (as before), but rather the people who had certain responsibilities *were not enough trained and did not have certain skills*.

Gucci is an Italian historical firm, founded in Florence in 1906 by Guccio Gucci. The two sons, Aldo and Rodolfo, continued the activities making it grow exponentially. The next generation saw the entry in the company of Giorgio, Roberto and Paolo (the sons of Aldo) and Maurizio (son of Rodolfo). With this third generation, however, very bitter internal conflicts arose. The bottom was reached when Paul denounced his father Aldo for tax evasion, which ended up in jail and put the company in financial difficulty. Paolo Gucci, out of the company, created a "Gucci" alternative brand that made unfair competition to Gucci family company. After a denounce by the other family members, he was forbidden to produce

with Gucci brand. The conflicts continued with subsequent generations, and this caused the leakage of family members who sold their shares until almost 50% of the property was sold to an Eastern investment banking company in 1988. Today the Gucci Group is owned by the French multinational Kering. In this case the problem was the inability to manage *conflicts between members of different generations* and subsequently as a result, *between members of the same generation*.

It is therefore clear that, in all family businesses, even in the most important and historically significant ones, the generational shift has always been a critical stage that needs to be managed better. That's why only 30% of family businesses survive after the first generation because of the reasons already outlined in literature: lack of succession planning, lack of successors skills, rivalry among members, inappropriate relationship between past and new generation or the propensity for conservatism or the rebellion of successors.

In this paper the search field on the intergenerational succession has been widely studied. Moreover, the field related to conflict management and negotiation theory has also been extensively studied. However, it seems that today there are no sufficient scientific contributions dealing with conflict resolution techniques in family businesses, especially in terms of inter-generational succession, through the application of conflict management techniques and negotiation theory.

Many contributions that have addressed the issue of the problematic nature of intergenerational succession of conflicts in family businesses and their causes were presented. Some contributions have tried to address the issue of conflict in family businesses by proposing some solutions; however, it was never developed a general theory of conflict in family businesses. In other words, it seems that there is a gap in the literature that should be appropriately bridged. In particular, the unique characteristics of family businesses and the origin of their internal conflicts (conflicts of propriety and family origin that overlap) generate the need to develop a general theory for the resolution of conflicts in the context of family businesses.

This goal can be achieved through an appropriate convergence and integration of the two fields (conflict management and conflict in family businesses) that are currently totally separate. The theory of the negotiations is a valuable tool, and its validity has a general nature, that can be applied to the resolution of general conflicts. However, the original and particular character of family businesses make these companies different from the others, and the conflicts that arise within them must be managed with conceived and designed tools taking into account these peculiarities.

According to the authors of this paper, it is necessary to integrate the two research field that so far have been developed separately: the field of conflict in family businesses, and the field of conflict management.

A research agenda for future research paths to take on the issue in question is proposed for the integration of these fields:

- studying what are the major conflicts in family companies (type, causes, dynamics, type and number of people involved, intensity of the conflict);

- studying what conflict management tools are most effective in the solution of these conflicts (type, effectiveness, individuals involved in the use of the tool, time to solve the conflict);
- studying what conflict management tools are more effective in solving conflicts that arise during the generational shift.

Following the authors' framework, by investing the research efforts on these issues, the two research fields, for too long divided, can be usefully integrated. This integration may result in a new line of study able to deal, through systematic studies, theories and technical solutions, to solve the old problem of conflict in family businesses.

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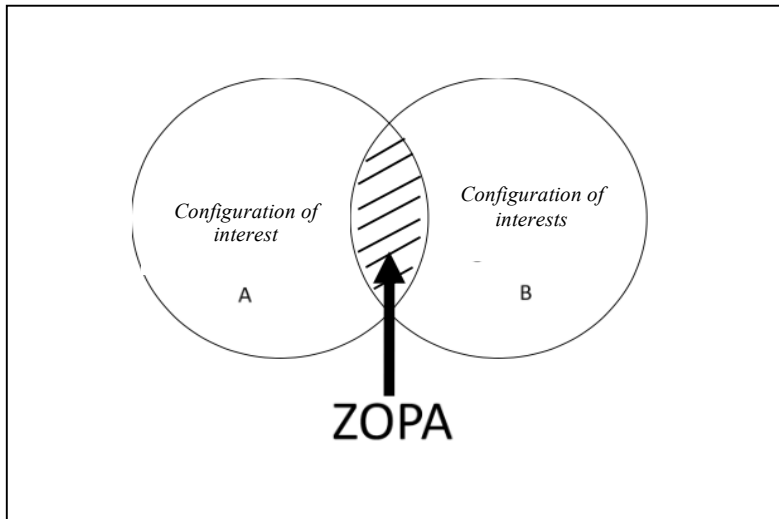


Figure 1. The Zone of Possible Agreement (ZOPA). Source: readapted from Caputo (2011).

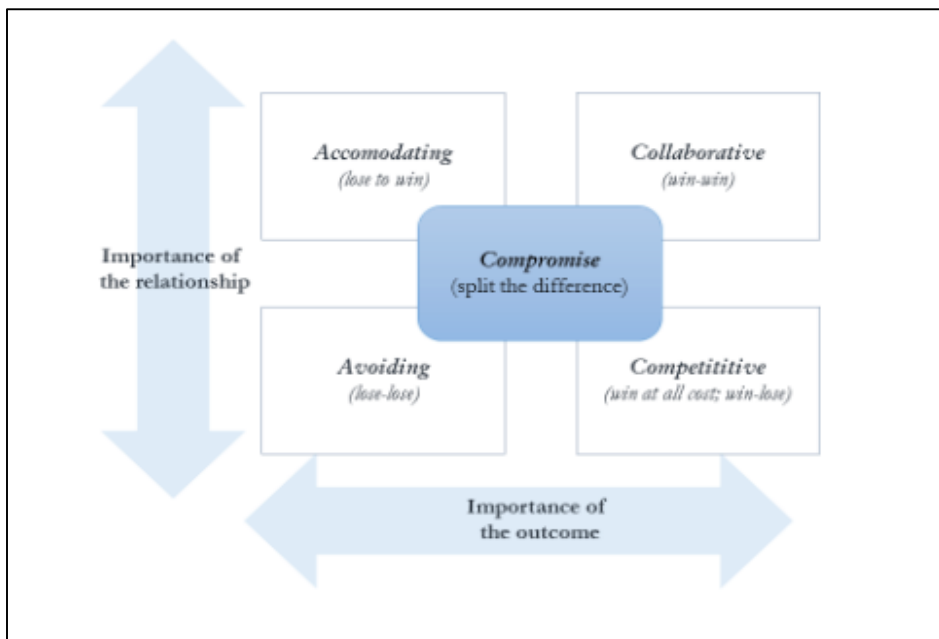


Figure 2. The dual model. Source: readapted from Rubin et al. (1994).