# Family Business and Multiple Levels of Conflict

*Michael Harvey, Rodney E. Evans*

*Family businesses are fertile fields for conflict. The influence of the founding families on the basic tenets and culture of the company may be unparalleled in business. When attempts are made to modify the family business as it progresses to another stage of development, conflict may arise. Due to the overlay of the company culture and individual family units, the means to resolve conflict becomes a very intricate process. This article examines a means to predict conflict relative to the phases of development of a family business. In addition, multiple levels of conflict are examined as well as the appropriate resolution process for the differing levels of conflict.*

The corporate culture of family businesses is inexorably influenced by the personality, values, and beliefs of the founding generation. This initial cultural imprint complicates subsequent attempts to modify the cultural foundations of the family business (Deal and Kennedy, 1982; Kilman, Saxton, Serpa, and Associates, 1985; Lundberg, 1985; Wilkins and Dyer, 1988). The cultural context of family businesses is additionally confounded by the overlapping of the business culture with the cultures of the individual family units. Conflict may arise in the family business due to the stress of the interaction between the company culture and those of the family units. Frequently there is role ambiguity, role conflict, communication difficulties, business decisions that negatively affect families, and a myriad of other issues (Danco, 1982; Beckhard and Dyer, 1983; Kepner, 1983; Lansberg, 1983; Flamholtz, 1986; Ward, 1988; Prince, 1990; Whiteside and Brown, 1991). Even change itself may serve as a stimulus for conflict to arise (Beckhard and Pritchard, 1992) in family businesses.

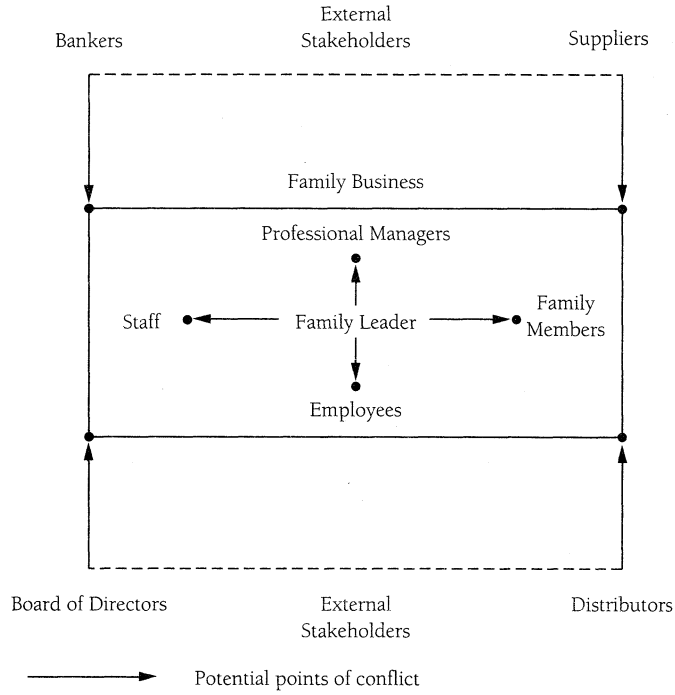
Conflict in family business occurs with both internal and external constituents (Danco, 1982). These stakeholders may interface with the family members more frequently due to the low level of staff and support infrastructure (see Figure 1). These "points" of contact between the family and the internal and external stakeholders provide the framework for analyzing



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**Figure 1. Points of External and Internal Conflict in Family Business**




conflict in family business and provide a means to proactively resolve dysfunctional conflict. The family member commonly attempts to resolve conflict with each of the constituents on a one-on-one, personal basis. Problems occur when there are multiple conflict points at the same time. The ability to identify conflict resolution processes is often beyond the managerial skills or time of the family member. Conflict that is not addressed and is allowed to linger in the family business or with the external constituents may create problems that are very complex.

This article examines the reasons for the inordinately high level of potential conflict in family business. It also analyzes how conflict events are compounded by the interaction and close association between the company culture and family unit(s) culture. The means to predict and resolve various levels of conflict will be investigated to enable the family to forecast what might increase conflict or tension in their organization and how to resolve conflict once it does occur. It should not be assumed that all conflict damages the family business, or that all change triggers conflict. This article focuses on dysfunctional conflict with multiple entities in family business and means to resolve conflict that has a negative impact on the family business.

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## Change as a Constant in the Family Business

Organizational change is a multidimensional concept that needs to be carefully defined to ensure that the constructs of this complex issue are fully delineated. Attention needs to be given to internal and external change as well as first- and second-order change. First-order change relates to the focus of the change, and second-order change relates to the degree of continuity, that is, continuous or discontinuous change processes. The distinction between first- and second-order change has stimulated extensive academic research. Controlled, continual change such as organizational development programs, training programs, seniority benefits, and the like have been the focus of researchers attempting to assess the impact of these "controllable" change programs on organizations (Bartunek and Franzak, 1988; Millsap and Hartog, 1988; Randolph and Elloy, 1989; Lyddon, 1990; Gemmill and Wynkoop, 1991).

The investigation into the consequences of discontinuous change has explored the interaction of the environment and internal elements that cause some systems to be more prone to discontinuous change than others. The complexity of discontinuous change in organizations has led to an analysis of the process of change rather than the change event itself. This systemic perspective has evolved into catastrophe theory and chaos theory of organizational change (Bygrave, 1989; DeGreene, 1990). Table 1 highlights significant contributions to organizational change theory in organizations. This table is intended to delineate the environment (focus) of change as well as the level of continuity (first or second order) of the change taking place.

Change is relevant to conflict in the family business. Change taking place in family organizations heightens levels of conflict due to the interaction

**Table 1. Change Theory and the Organizational Environment**

| | *Environment* | |
|---|---|---|
| *Order of Change* | *Internal* | *External* |
| First-order change | Golembiewski et al., 1976<br>Millsap and Hartog, 1988<br>Tennis, 1989<br>Lyddon, 1990<br>Gemmill and Wynkoop, 1991 | Emery and Trist, 1965 |
| Second-order change | Lewin, 1951<br>Golembiewski et al., 1971<br>Golan, 1986<br>Aldwin and Stokols, 1988<br>Bygrave, 1989<br>Lyddon, 1990<br>Gemmill and Wynkoop, 1991 | DeGreene, 1978<br>DeGreene, 1990<br>Meyer, 1990<br>Gersick, 1991<br>Smith and Gemmill, 1991 |

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between the business and family units. Although change may encourage conflict in any organizational setting, it is more likely to transpire in the family organization because (1) these organizations may have a less participative management environment (Ronstadt, 1984); (2) there may be inadequate organizational mechanisms or personnel (staff) to "buffer" the organization from the need to change (Flamholtz, 1986); (3) business and personal life, including the family unit, overlap (Danco, 1982; Ward, 1988); (4) roles are unclear and rights and obligations in the company are unclear because of family affiliation (Beckhard and Pritchard, 1992); (5) insiders to the organizations do not feel as though they have equal opportunity (employees versus family members) (Flamholtz, 1986; Ward, 1988); and (6) the founding individuals often desire to control or maintain leadership and ownership of the organization, sometimes disregarding the competence of the individuals (Danco, 1982; Flamholtz, 1986). Change is a constant in most family businesses, and it must be dealt with effectively by the organization because the common by-products of change are conflict, stress, and dysfunctional behavior. The consequences of not effectively dealing with conflict affects the business and, in many cases, the family unit as well.

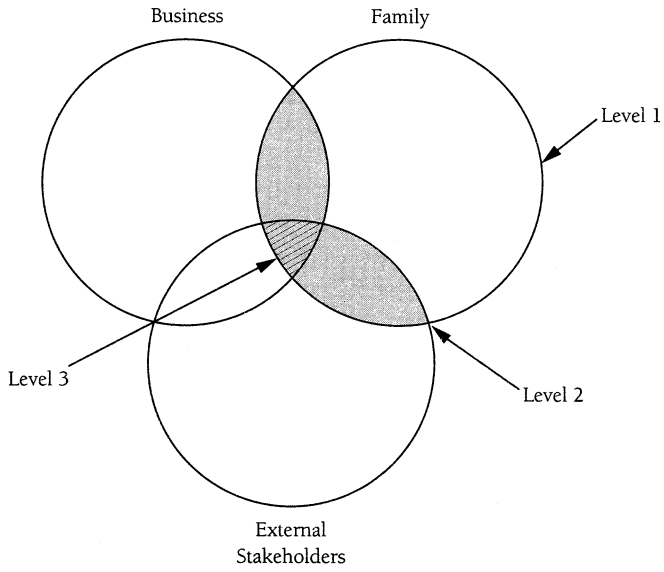
## Multiple Levels of Conflict in the Family Business

Because conflict appears to be inevitable and occurs frequently, it is important to identify the source of conflict and to manage it effectively given the limitation of organizational infrastructure in many family businesses. Conflict relative to the family business can emanate from one of three arenas: internal to the organization, external from the family or families involved in the organization, and external stakeholders (bankers, investors, suppliers, distributors, and members of the board of directors). Due to the "intimacy" of these three groups and their access to the family owner-operator who establishes the "climate" of the organization, their impact separately can be significant. But the corporeal influence occurs when these separate conflicts occur at the same time. The combination of conflict in the business organization and the family unit compounds the effect of conflict. This combination of conflict levels also necessitates conflict resolution methods that are more complex and aimed at the different sources of conflict.

Figure 2 illustrates the interaction of conflict sources to create three levels of conflict that can occur in the family business. Level 1 conflict occurs when there is no interaction among the three entities and the conflict does not spill over to the other constituents. For example, there is a family problem and the incident does not have a dysfunctional impact on the entrepreneurial organization. An illustration of this would be a sibling of the entrepreneur having difficulty in college and having to go to summer school. This could create conflict in the family unit but would have little impact on the business.

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**Figure 2. Three Levels of Individual and Collective Conflict in the Entrepreneurial Environment**




Level 2 conflict entails conflict occurring in two of the entities as they overlap, creating a more complex form of conflict; the conflict sources may be different, but when they are combined, the conflict is intense and more difficult to address. For example, the managing family member is experiencing problems in the business with succession in that the sibling being "groomed" for the leadership position is not respected by employees or key managers. At the same time, conflict in the family may occur because another sibling feels alienated from the family because he or she was not selected to take over the leadership of the family business. This dual conflict episode becomes a complex web of business issues and family relationships, which present a diverse array of elements that need to be addressed to resolve the conflict.

Level 3 conflict involves all of the interested parties in the family business, that is, the business organization, family, and external stakeholders. The example given for level 2 conflict is compounded if the external stakeholders are also concerned about the capabilities of the "selected" sibling. The family organization must now address constituents in the business, family, and external stakeholders to resolve the conflict. The additive nature of the conflict is stimulated by the overlapping of roles and the ambiguity of roles among these three entities. The complexity of the conflict has escalated, and therefore the conflict resolution mechanism must also be more sophisticated to deal effectively with the various dimensions of the conflict situation.

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## Critical Events and Issues to Forecast Conflict in the Family Business

To deal effectively with conflict in family business, it is important to develop an underlying structure and life cycle, which can be used to predict heightened conflict periods. Researchers have used the family life cycle as a metronome for analyzing the periodic impact of different stages of development in the family unit. In this stage model the evolution of the family is divided into (1) bachelor unit; (2) newly married couples; (3) full nest I: youngest child under six; (4) full nest II: youngest child over six; (5) full nest III: older married couples with dependent children; (6) empty nest I: older married couples, no children living with them, head labor force; (7) empty nest II: older married couple, no children living at home, head retired; (8) solitary survivor, in labor force; and (9) solitary survivor, retired (Kotler and Armstrong, 1991). Just as this cycle can be used by marketers to determine motivation, products desired, resources to purchase product, and the like, it can also be used to predict another set of critical personal junctures in a sibling's life. The family life cycle signals stages in the sibling's personal life that can be used as quasi-indicators of preparation and inclination to assume some role in the family business. This analysis tool appears to be most useful in planning succession in family businesses.

Systems evolve through the alternation of periods of equilibrium, in which persistent underlying structures permit only incremental change, and periods of revolution, in which these underlying structures are fundamentally altered (Gersick, 1991). Conflict stimulates disequilibrium in organizations and, if not addressed, can bring about dysfunctional revolutionary change in the family business. If a stage model could provide insights into the various types of conflict at each stage of development, families could use this information to predict critical junctures in their family businesses.

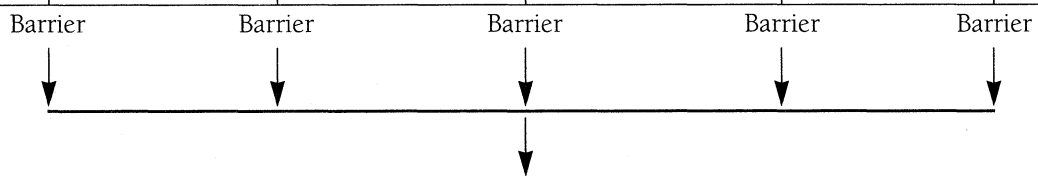
Stage models that postulate a set of distinct and historically sequenced stages dominate the literature on organizational evolution. The stages of evolution can be viewed as a theoretical template in that not all organizations progress through each of the stages, and that organizations are in stages for various lengths of time. The value of these "models" of organizational evolution is in their ability to assist in forecasting future problems, such as what conflict events the family should be preparing for in the organization. The entrepreneurial and family business literature is replete with various models of organizational life cycles (Greiner, 1972; Kimberly, 1980; Penrose, 1980; Danco, 1982; Churchill and Lewis, 1991). The limitations of life-cycle analysis notwithstanding, the careful analysis of the characteristics of the developmental stages of organizations can be useful in predicting conflict.

Table 2 identifies six phases in a theoretical life cycle of a family business: creative/definitional phase, in which the concept of the new venture is refined and the unique and creative relative advantages in the marketplace are developed; enterprising phase, which involves the legal formation of the venture and

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## Table 2. Major Conflict Events by Phase of Development of Entrepreneurial Organizations

| *Stakeholder* | *Creative/ Definition Phase* | *Enterprising Phase* | *Stabilization Phase* | *Early Growth Phase* | *Sustained Growth Phase* | *Plateau/ Maturity Phase* |
|---|---|---|---|---|---|---|
| Business | Translating concept into a business<br>Timelines not met<br>Front-end money to go forward* | Fulfill government regulations<br>Establish organizational infrastructure<br>Attracting employees, customers* | Keep key employees<br>Identify/understand cost<br>Increase efficiency and improve gross margin* | Ability to access market<br>Willing to take risk<br>Overcome cash crisis* | Ability to produce<br>Cash generation to sustain<br>Quality control* | Tie-in key employees<br>Share future rewards<br>Benefits for key employees to ensure their future* |
| Family | Support/encouragement<br>Use of family capital/income<br>Emotional stability to take risk* | Lack of time for family<br>"Free employee"<br>Reduction in standard of living* | Salaries for family/ employees<br>Improved communication<br>Reality of the business as the future* | Siblings enter organization<br>Business/family conflict<br>Successfully dealing with success* | Succession planning<br>Midlife crisis<br>Maintaining business focus* | Founder plateauing<br>Not turning loose<br>Key personnel/family leave business* |
| External | Business design (structure)<br>Advise/consenting<br>Obtaining working capital credit* | Build external network<br>Supplier willingness/ availability<br>"Hire" outside expertise* | Board of directors<br>Make or buy decision (supplies)<br>Renegotiation of loans and expansion money* | Professional management<br>New inventors<br>Working capital to sustain growth* | Additional funding<br>Protection of the business<br>Professionalized staff* | Acquisition for extended growth<br>Merger<br>Nonfamily future orientation* |




* Critical juncture.

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the initial commercialization of the family-owned or -operated business; stabilization phase—seldom do new ventures progress as forecasted, and this phase of the life cycle allows for redefinition and adjustment to the initial business concept or plan; early growth phase—this phase in the venture illustrates the "problems" with growth and how the management needs to modify organizational commitment to the marketplace; sustained growth phase marks the internalized growth of the family business to sustain continued demand for its products/services; and plateau/maturity phase is a leveling off of product demand, when building a sustaining organization and strategy becomes the primary task.

The ability to forecast potential areas of conflict in the family business is one of the major contributions of a life-cycle approach to the growth of the organization. The type of conflict identified by phase may occur in any of the phases but is typically a source of dysfunctional activity in the phase identified in Table 2. There are also "critical junctures," events that have to be successfully handled or they may create dysfunctional conflict in the organization, in the family, or with "external" constituents. The family must also be aware of the levels of conflict that may occur in each phase. For example, the business conflict may be compounded by conflict at the family or external constituent levels. If more than one level of conflict is occurring, the resolution of this multilevel tension needs to be addressed. If the various sources of conflict are not addressed or only one of the levels of conflict is targeted for resolution or reduction, other levels may spill over into the business and regenerate the conflict. In other words, due to the interconnection of the people between groups, reoccurring conflict is highly probable in family businesses. Therefore, preventing conflict before it occurs or employing a conflict resolution method that addresses active multiple levels of conflict present is necessary.

To deal effectively with potential conflict, a means of predicting the nature of the conflict event by group is needed by the family. Anticipation of potential conflict events may allow the management of the family business to avoid conflict or at the least to be prepared for the antagonism when it does occur. The phase of development of the family business venture becomes a useful device to assist in predicting conflict. Each phase in the evolution of a family business venture will be briefly explored for commonality of conflict events in the business, family, and external stakeholders.

***Creative/Definition Phase.*** The common dimension to conflict events during this stage of development appears to evolve from time and capital concerns. The time dimension centers on bringing the concept or venture into focus and on defining the parameters of the family business. Frequently, the "concept" remains amorphous and ill defined because the family generation will not delineate the critical aspects of the venture. There is also a tendency for this phase to be protracted because it is a "dream," and if it goes too far, it will have to be actualized into a business. Some would-be entrepreneurs fall in love with their ideas and are unable to finalize the concept into a business entity. Frequently, founding family members in this conceptual phase of the

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entrepreneurial process have difficulty meeting time schedules or critical dates. These time lapses create conflict throughout the system.

Although capital will remain a conflict point throughout the evolving cycle of the family business, it is particularly critical in the creative/definition phase. Raising capital on an idea or concept is typically difficult to accomplish for veterans. But for the would-be family business founder with limited experience, the capital sourcing problem can become a monumental problem. Obtaining front-end capital to bring the prototype to reality becomes a major source of friction with the family and external constituents. The critical juncture becomes the melding of the final concept and the capital to bring the venture to the next step.

***Enterprising Phase.*** The conflict issues in this phase emanate from establishing the infrastructure for the new venture. Assembling the organizational entity and employees, fulfilling regulatory requirements, and establishing external networks with suppliers, bankers, distributors, and the like tends to raise conflict issues. These conflicts typically evolve because outsiders do not "trust" the new organization or concept and make requirements of the business that create stress in its fragile condition. These requirements may include prepayment for raw materials, extended terms for distributors, or low lending limits on accounts receivables to satisfy the bank.

The founding family members, in an effort to reduce expenditures, may attempt to take too much of the "build the business" on themselves. This increases the already considerable amount of time committed to the new venture; typically, the founding family members also extend themselves beyond their expertise. Absent the expert input on how to establish an accounting-inventory system, file taxes and governmental permits, and hire and train new employees, the atmosphere for conflict exists. A willingness to delegate and to hire others to bring expertise and to meet time deadlines becomes a major hurdle to overcome. If the entrepreneurial family member does not recognize these conflict-creating situations, multiple levels of conflict are almost inevitable. The family unit also experiences conflict because of less time and often a lowering of the family's standard of living. Without advanced forecasting and planning, the founding family member, the business, and the family can suffer from multiple sources of conflict that will require time to be reduced or eliminated.

***Stabilization Phase.*** For those ventures that successfully resolve the conflict that typically occurs in the enterprising phase, the process enters a period where the organization is stabilized. The analogy given to me was that of an airplane attempting to take off and the struggling, vibration, noise, and uncertainty that the plane would actually become airborne. This process characterizes the enterprising phase, whereas the stabilization phase is similar to the few minutes immediately after take-off, when systems are adjusted and the plane is readied for flight: landing gear up, trim the tabs and flaps, and adjust the throttle to ensure that the plane reaches the desired cruising speed. The family retraces its

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steps to upgrade the organization's infrastructure and external networks and to repair any damage to the organization or personnel during take-off.

Conflict during the stabilization phase generally concerns information and communication links among the three entities. The examination of how the venture "runs" and how to improve its functioning becomes the focus for the managing family members. "How can we make money?" "How can we improve efficiency?" "How can we cut costs?" The family owners are preparing the venture for the "flight." The infrastructure and key personnel must all be prepared to move the company forward. This may require having employment contracts with key employees, noncompete agreements, long-term buying contracts with suppliers, renegotiation of loans and extensions to loan agreements, and infusion of additional growth capital. All of these become major junctures where conflict can erupt. Redefining the essence of the company and its strategic mission may evoke conflict at all three levels and create an environment that is difficult to manage.

The conflict potential in the family unit is often reduced when some of the benefits of owning a business begin to accrue to the entrepreneur and to family members. The standard of living may improve, the "free" family employee may receive a salary, and time constraints of the past may ease. Conflict in the family unit does occur if the entrepreneur attempts to continue to run a "one-person show" and does not prepare the company for the future. During growth, the organization has little time to be retrofitting costing systems, hiring key employees, installing an MRP system, or handling a myriad of other infrastructure issues that could have been addressed in the stabilization phase.

***Early Growth Phase.*** Unfortunately, the crisis during the early growth phase becomes meeting the needs of the marketplace. Timing and fitting the product or service to the firm's customers in a timely fashion creates conflict in the business. Issues that diminish the ability of the business organization to perform become visible sources of conflict. Depending on the source of these conflicts, they may affect any of the entities interacting with the entrepreneurial organization in the early growth phase.

Conflict in the family occurs during this period because siblings may be entering the business, and the direct or formal interaction of the two units stimulates stress and conflict may result. Dealing with the success of the company may also be the underlying foundation of conflict in the business. The midlife crises of the founding family members may occur, and his or her commitment to the business may be questioned by key employees. Dealing with success may not be as difficult as handling defeat, but success does create its own set of attendant problems that have the potential to cause the family, the business, and the outside stakeholders to be concerned for the future of the business.

***Sustaining Growth Phase.*** Maintaining control and the passing of power and leadership may be significant issues during the later stages of the sustaining growth phase. Many times, due to the rate of growth and the excesses that

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may have occurred during this period, reestablishing control becomes a friction point. The managing family members may sense that the success the business is experiencing cannot, or will not, continue forever. Therefore, an effort will be made to reestablish or introduce controls in the business. These standards and procedures may reduce the freedom that employees and siblings had in the past. This redefinition of operating procedures raises questions about the responsibility and authority of those managing the business. The realignment of authority in the family venture creates the occasion for conflict. Controls are typically not welcomed in any organization, particularly one that has recently been very successful.

***Plateau/Maturity Phase.*** The major source of potential conflict in this stage of the evolutionary process relates to obtaining commitment from key stakeholders. When the glamour of growth has faded from the business, one of the concerns of the family business is losing individuals who helped to create the success. The allure of higher salaries, more responsibilities, larger budgets, and taking on new products, along with the atmosphere of being a winner, subsides in the plateaued or mature family business.

At the same time, the family founder has one of two opposite reactions to the leveling out of the business. (1) The founder may experience a personal career plateau where he or she has a low interest in the business and has difficulty maintaining an adequate commitment level to the company. As opposed to the "midlife crisis," the plateau is an attention-span problem that reduces interest in maintaining the operation. (2) The founder will not "let go" to allow new ideas, leadership, and, in some cases, shared ownership to flow naturally into the family company. Holding on too long forces family members and other key managers to leave the company. The loss of these most valuable assets during this stage of the evolutionary process may be a fatal blow to the family business.

Almost by definition, the creative, innovative entrepreneur who started the new venture will experience difficulty during the maintenance of the business. Conflict is more difficult to address during this phase because the excitement of the unknown future is diminished and the possibility of new ventures or products being undertaken by the company is improbable. The entrepreneur is frequently ill-equipped to deal with the normalcy of the plateaued business.

## Multiple Conflicts Resolution Processes

Conflict, particularly extended conflict over a core issue in an organization, is dysfunctional and reduces the effectiveness and efficiency of organizations (Gersick, 1991). Family-owned or -operated organizations typically do not follow a gradual evolution from one stage to another as is suggested by the organizational theory literature. Rather, change occurs due to conflict, or "punctuated equilibrium." The evolution from one entrepreneurial organizational state to the next may be abrupt, revolutionary, and rapid. This state may be

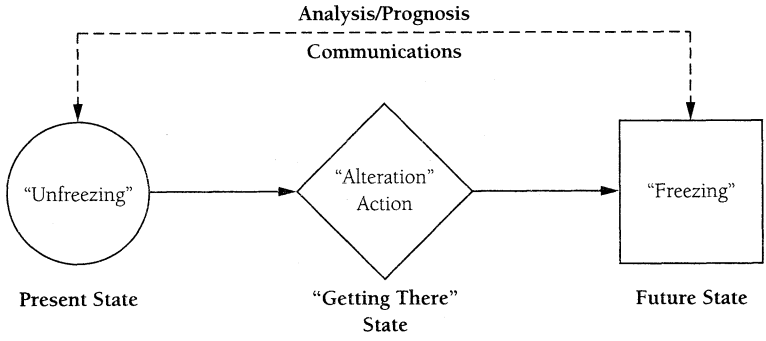
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brought on by the death or divorce of a founder. Punctuated equilibria are not smooth trajectories toward preset ends because both the specific composition of a system and the rules governing how its parts interact may change unpredictably during revolutionary punctuations (Gersick, 1991). The family business is characterized by critical junctures that place the organization and those with whom it closely interacts, that is, family and external constituents, in peril during these tumultuous conflict periods (Prigogine and Stengers, 1984; Gould, 1989).

Change to resolve conflict is a three-step process that entails changing the perceptions, motivation, and action of individuals both in the entrepreneurial organization and externally if the conflict also involves the family unit or external stakeholders (see Figure 3). This process may occur very rapidly because of the absolute power or control of the family; the ability to communicate desired change to key personnel directly; lack of infrastructure, that is, policy and procedures, to reduce the rate of the change; willingness to undertake change to receive rewards from the family; lack of opposition leadership or coalitions against the desired changes of the family; and the sheer size of many family ventures, which allows for rapid, frame-breaking change. Normally, change is measured only in terms of results; rarely is there any measurement of the process of reducing conflict as improvement in the organization (Beckhard and Pritchard, 1992).

To manage conflict resolution effectively and to reduce the potential negative consequences of change, the processes involved in stimulating change in family organizations need to be examined: *consciousness raising,* increasing one's information about self and the problem(s) being faced by the organization; *self-education,* having key stakeholders and the organization assess how they think and feel about the conflict and ascertain the potential negative consequences of prolonged conflict; *self-liberation,* developing belief in

**Figure 3. States of Change**




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their ability and the organization's ability to change, and a commitment to act to resolve conflict, stress, and tension; *counterconditioning,* identifying alternatives to those who create or prolong the conflict and promoting alternatives to continued conflict; *stimulus control,* avoiding or countering stimuli that elicit conflict within the organization or between the organization and other interacting groups; *reinforcement,* rewarding the individuals and the organization for making a change to reduce or resolve conflict; *continuing "assistance" relationships,* providing organizational and personal support to individuals after the change and to the organization as a whole; *dramatic relief,* encouraging and supporting individuals in the entrepreneurial organization who had to change; *environmental reevaluation,* reassessing how the implemented change may inordinately cause conflict to erupt within the organization or with other constituents; and *social liberation,* encouraging discussion about the change and the positive organizational and individual consequences of reducing conflict (adapted from work on the process of individual change, Prochaska, DiClemente, and Norcross, 1992).

Resolving conflict in the family organization is contingent on the level of conflict being experienced, that is, how many entities are involved in the conflict. The more complex the level of conflict, the more elaborate is the conflict resolution mechanism. Table 3 delineates key aspects of conflict resolution by the level of conflict being experienced by the entrepreneurial organization.

***Level 1 Conflict.*** A conflict resolution mechanism is contingent on the managing family members' interpersonal skills to address the source of conflict within the organization. The nature of the change will normally not be frame breaking, and therefore modification of interpersonal interactions or interfaces with policies of the firm need to be brought about by the change process. The impetus to make the change comes from within, and the entrepreneur must become directly involved in the change process. Frequently, little or no postconflict resolution monitoring needs to be implemented after the change takes place.

**Table 3. Conflict Resolution and Level of Conflict**

| *Aspect of Conflict Resolution* | *Level 1 Conflict* | *Level 2 Conflict* | *Level 3 Conflict* |
|---|---|---|---|
| Focus | Individuals | Two groups | Total system |
| Nature of change to resolve conflict | Transactional | Transactional | Structural/ "essence" |
| Nature of interaction to resolve conflict | Interpersonal | Conflict team(s) | External consultant/ conflict team(s) |
| Impetus to resolve conflict | Internal | Internal | External |
| Role of entrepreneur | Direct | Team member | Consultation |
| Level of monitor resolution | None | Yes, cross sectional | Yes, longitudinal |

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A normal response to Level 1 conflict in the family business is for the dominant family member or leadership of the family business to exercise their high level of power or to enforce their "elite dominate" for making decisions (Kabanoff, 1991). This is a role that the most powerful family member is familiar with and has had experience exercising frequently. The conflict being contained in the business unit keeps the family decision maker from having role conflict, or at least a degree of role ambiguity, in making his or her decision. This level of confidence grows as the family business evolves through different phases of the corporate life cycle. The level of confidence helps the lead family member to address more difficult business decisions at critical junctures in the company's evolution. There will still be resistance and turbulence around these decisions, but the unification of the leader's power position can move the company beyond the barrier to the next phase of development.

***Level 2 Conflict.*** Conflict resolution at this more complex level becomes increasingly difficult because two structured entities, business and family, are experiencing a mutual conflict. Therefore, the change mechanism must focus on altering the states of both organization units. The nature of the change is normally transactional, but there are fundamental core issues that may need to be addressed in Level 2 conflict.

Due to the dual participation of the family in these groups, the conflict resolution must be undertaken by a team of individuals. A conflict resolution task force could be used to reduce partiality issues that could, for example, be associated with the conflicting roles of president of the family business and brother to a family member, creating problems for both the family and business. These conflicting expectations of the head family member typically entail a more formalized process, which would have organizational sanctions for those who did not want to endorse the recommended change to reduce or eliminate the interorganizational conflict. The founding family member may serve as a participant on the conflict resolution team, but in many situations even this participation would be viewed as a conflict. It is necessary, however, to monitor the change sometime in the future to ensure that the changes made to reduce conflict have been internalized in both organizations. To assist the primary family decision maker, there needs to be some organizational monitoring of the conflict level at a later point in time. This audit of conflict may only occur once but should be instituted to ensure that the Level 2 conflict has been resolved or is in the process of being resolved.

***Level 3 Conflict.*** The most complex level of conflict involves three organizations experiencing conflict at the same time. Therefore, the focus of the change has to be system-wide. This entails examining what caused or generated the conflict among the three entities. What is the role of each organizational unit in the conflict? Typically, to resolve this level of conflict, the core structure, or the "essence," of one or more of the organizations will have to be modified

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(Beckhard and Pritchard, 1992). Again, due to the complexity of this highly interactive conflict, external consultants or experts must be brought in to work with conflict teams to effectuate the changes needed to reduce conflict in all three entities.

The impetus to resolve the conflict comes from outside all three entities, and the entrepreneur should act only in a consultative fashion with the outside expert and the conflict resolution team. To implement such a level of change, there has to be longitudinal monitoring of the change or lack of change taking place. When modifying the essence of one or more of the organizations, the participants must know that the change will be monitored on an ongoing basis.

## Summary and Conclusions

Family businesses are fertile environments for conflict. The conflict results in part from the dominant presence of the family, setting the rules and having ultimate power, the lack of formalized systems and structures to deal with conflict, having no formal organization structure or operating systems, and the commingling of business and family roles. If the family is to deal effectively with the omnipresent conflict, it must begin to forecast when conflict is to occur.

If the family business evolves through a set of phases, can these stages be used to help anticipate conflict before it occurs? Each stage of development of the family business will encounter conflict and critical junctures that need to be successfully negotiated by the entrepreneur. It is important to note that conflict can occur in the business entity, in the family, or with outside stakeholders, but once these groups begin to overlap and stimulate conflict in the other groups, conflict resolution becomes much more difficult. Many people in family businesses are envisioned as "take-charge people"; they may feel compelled to "solve the conflict." In several of the levels of conflict, they may not have the ability to eliminate completely conflict that overlaps another interacting entity. In some instances, it may be viewed as a conflict of interest to have family members personally attempting to resolve the conflict.

Conflict resolution methods should be coordinated with the complexity of the conflict. By identifying these levels of conflict complexity, the managing family members can be alerted to the most appropriate resolution techniques. Complex conflict among multiple groups, that is, business, family, and external constituents, may not be resolved through direct, one-on-one intervention by the family members. Alternative crisis management methods should be explored to address multiple points of conflict proactively.

There is no reason to assume that conflict will not occur in the family business. In fact, just the opposite can be assumed. Due to the unique environment within most family organizations, conflict will be a continuing dysfunctional occurrence. Knowing this, and predicting when conflict is going to occur, may assist families in effectively managing conflict situations.

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*Michael Harvey holds the Puterbaugh Chair of American Enterprise.*

*Rodney E. Evans is professor, Institute for Enterprise and Family Business, College of Business Administration, University of Oklahoma, Norman.*

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