

Conflict Management Strategies Used by Successful Family Businesses

— Ritch L. Sorenson

Conflict is an inevitable part of family business. It is widely known that disputes have destroyed many families and businesses. Though many family businesses have found their own ways to control conflicts, little is known in family business literature about the strategies of managing conflicts either in business or in the family. In an attempt to identify conflict management strategies used in family businesses and to determine their effect on business and family outcomes, Ritch Sorenson (Texas Tech University), conducted a survey study of 59 family businesses. Based on his data analysis, he came up with the conflict management strategies that are most likely to lead to positive outcomes.

The author points out that conflicts in family firms differ from those in non-family firms at least in three ways. Firstly, family makes conflicts quite complex as family related issues take precedence over business and important issues of the family members are required to be accommodated. Secondly, family norms of resolving conflicts take precedence over business norms of conflict resolution. For instance, proactive, problem-solving approach in resolving conflict in family will provide a basis for positive problem-solving approach in business. Finally, family businesses have unique power dynamics. For instance, even family members without high formal position can wield informal power in business, as they are privy to insider information due to their access to prominent family members.

Conflict Management Strategies and their impact on Family and Business - The author suggests that based on concerns for self and concerns for others, there are five approaches in which businesses try to manage conflicts - i.e. compete, accommodate, collaborate, compromise and avoid (see figure 1).

- **Competition** strategy imposes or forces solutions using authority, thus it is not likely to fully address many issues of business and family.
- **Accommodation** strategy is based on high concern for others and low concern for self. This approach can help resolve conflicts in family firms. However, it is seldom used.

		Concern for Others	
		Low	High
Concern for Self	Low	Avoid	Accommodate
	High	Compete	Collaborate
		Compromise	

Figure 1. Conflict Management Strategies

- **Collaboration** is an integrative approach that attempts to satisfy the concerns of all involved parties. It can significantly contribute both to the family and business outcomes.
- **Compromise** involves giving up of something by each party so that the outcome is acceptable to all involved. However, no one feels fully satisfied in this case.
- **Avoidance** is the failure to address conflicts by either denial or brushing the issue aside. It avoids immediate direct conflicts but over time, it builds frustration that usually has negative after effects.

The author mapped the family businesses studied, on negative and positive aspects of business and family outcomes, thus resulting in four quadrants (see figure 2). The study found that –

- i. Family firms that had **positive business and positive family outcomes** relied on Collaboration, Compromise and Accommodation strategies of conflict management.
- ii. The firms in the **negative business and positive family outcomes** quadrant scored high on accommodation as they placed a higher premium on positive family outcomes, though they also employed collaboration and compromise strategies, they could not deliver favourable business outcomes as positive family outcomes were preferred.
- iii. The companies that were in the **positive business and negative family outcomes** quadrant used collaboration and compromise strategies. They gave higher importance to positive business outcomes and did not rely on accommodation strategy. This resulted in negative outcomes on the family front.
- iv. The family firms that were in the **negative business and negative family outcomes** quadrant used competition and avoidance strategies. These businesses had high concern for self and low concern for others. This led to negative fallouts in both family and business domains.

		<i>Business Outcomes</i>	
		<i>Positive</i>	<i>Negative</i>
<i>Family Outcomes</i>	<i>Positive</i>	Collaboration Compromise Accommodation	Collaboration Compromise Accommodation
	<i>Negative</i>	Collaboration Compromise	Competition Avoidance

Figure 2. Outcomes of Conflict Strategies

Thus, if the family firms manage their conflicts by employing collaboration and compromise strategies while accommodating critical concerns of both the business and the family, they will have positive outcomes on both those fronts.

Source: Family Business Review, 12(4), 1999; pgs. 325-339.