

Feuding families: When conflict does a family firm good

— Franz W. Kellermanns and Kimberly A. Eddleston

Family firms are often embroiled in conflicts because the family and the business are deeply intertwined, thus creating a high potential for discontent. Many of these conflicts such as - Sibling rivalry, marital discord, identity conflict etc., are not experienced by businesses with other forms of governance. However, not all organisational conflicts are necessarily bad for a family business. On the contrary, some tiffs can prove to be beneficial to the family firm. Deducting from the literature on conflict, the authors, Franz Kellermanns and Kimberly Eddleston suggest that negative effects of conflicts are often rooted in relationship conflict, whereas task and process conflicts actually prove beneficial to family firms.

The authors observe that the overlaps in control and management activities complicate the understanding of conflict in family firms. The authors suggest that the distinction between the three types of conflicts (i.e. relationship, task and process conflict) has never been applied in an interactive manner in the family business literature. The authors therefore develop a model to understand how different types of conflict affect a family firm.

Nature of Conflicts in Family Firms – Task conflicts arise due to alternate goals and strategies that a firm may opt to accomplish a task. The authors posit that moderate level of task conflict contributes to improvement of decision-making, thereby improving the performance of the family firm. If task conflict is at high level, it hinders timely completion of tasks. On the other hand, if it is too low, the performance of family firm goes down overtime due to stagnation.

Process conflict is the disagreement about how the work is to be accomplished. Family firms with low or no process conflict fail to modernize their functioning. On the other hand, family firms with high process conflict may keep family members from completing their work and they may not learn the key activities and methods that provide the distinct competitive advantage to the family firm. Authors therefore suggest that moderate levels of process conflicts help in sharing and transferring knowledge that help family firms innovate and improve efficiency and performance.

Relationship conflicts are rooted in the troubled relations among family members. These result in generation of negative feelings, leading to suspicion and resentment among family members. There is loss of goodwill and mutual understanding, which negatively affects the family firm's performance. Therefore, the authors posit that high levels relationship conflict leads to poor performance of the family firm.

Complexity Perspective of Conflict in Family Firms - The authors posit that the nature of conflicts in family firms has additional complexities compared to non-family firms. They argue that the negative effects of relationship conflicts diminish the positive effects of task and process

conflicts. They also suggest that relationship conflict, in turn, is influenced by altruism (consideration for the welfare of each other), which is a key characteristic found among family members. In addition, the authors suggest that higher concentration of control decreases the occurrence of task and process conflict but gives rise to more relationship conflicts. The authors also argue that the higher the number of generations involved in the business, the higher will be the number of task and process conflicts in the family firm.

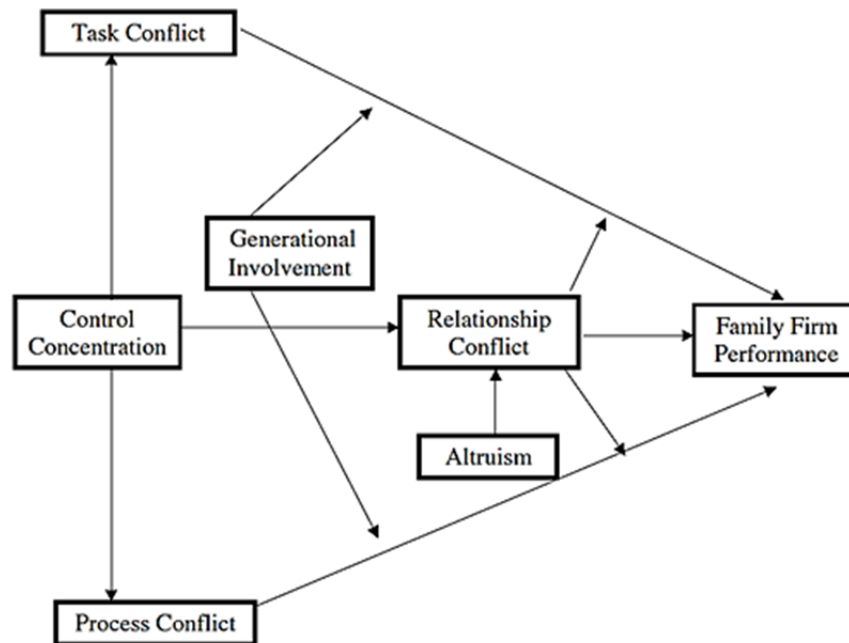


Figure 1. Conflict in Family Firms

Managerial Implications - The framework suggests that not all conflict is bad for family firms. Moderate task and process conflict can positively influence family firms' performance and must therefore be a welcome sign. Relationship conflicts adversely affect family business and must be resolved quickly. Altruism can decrease the occurrence of relationship conflict; therefore, it must be promoted among family members. Higher concentration of control is associated with lower levels of task and process conflicts but leads to higher levels of relationship conflict. Therefore, the family business leadership must strike the right balance between control and devolution of power. As more generations enter the family business, the task and process conflicts increase. However, if the founder still controls the decision-making process then it may not lead to productive discussions on new strategies and roles for family members of the new generation. Thus, a family business manager needs to keep all these complexities of conflicts in mind while dealing with the business and the family.

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