

# Managing Conflict in the Family Business

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As Kennedy and Coe, LLC continues to work in the areas of strategic planning, facilitation, and conflict resolution with family owned and closely held businesses, one of the major questions continually arising is "What should we do when family members or business partners are in conflict?" This article, originally written as a four-part series, will attempt to answer that question by suggesting a process to manage conflict in the business.

Before you can actually begin to manage or resolve conflict, consider your own notions of conflict. Do you think conflict is good or bad? Is conflict something that helps your organization, or is conflict a destructive force in your business? I suggest here that conflict is neither good nor bad. Rather, conflict is normal. It happens to all of us throughout our lives, and will always be a part of our existence.

However, the *consequences* of conflict can be positive or negative. That is to say, if conflict is normal, it is how we handle conflict that makes a difference. Conflict handled in a posi-

tive, constructive fashion can lead to new ideas, improved efficiency, and even more trustworthy relationships. Conflict avoided or handled poorly leads to low levels of communication, mistrust, and high tension among family members and business partners.

Realizing that conflict handled in a positive fashion can be beneficial, I suggest there are four steps to positively resolving conflict. Those steps are:

- 1) **Admitting** a conflict exists.
- 2) **Assessing** whether the conflict is worth resolving.
- 3) **Analyzing** the source of the conflict.
- 4) **Creating** options and solutions.

## **Admitting the Conflict**

The first step in the process sounds like a fairly easy task: Admitting a conflict exists. However, I'm surprised at the number of times I hear someone say "I don't have a conflict. . . HE has a conflict." It always seems to be someone else's problem.

It is hard to admit that we have a conflict with someone, because conflict is so often seen as negative. But for any successful resolution of the conflict to occur, everyone has to be willing to admit that a conflict exists. If someone who needs to be part of the solution denies that there is even a problem, you will be wasting your time, working on quick-fixes and symptoms instead of real issues and long-term solutions.

If you are in conflict, or know of people who are in conflict, one way to encourage people to admit there is a problem is to frame the conflict in terms of the future. Ask "What issues do we need to deal with in order to have a successful future?" It is a lot easier to talk about potential in the future than it is to talk about problems in the present or past. So if the other person denies there is a conflict, work on stating the problem as it relates to the direction you are headed.

## Assessing the Conflict

After recognizing a problem exists, the second step is to ask yourself, "Is the conflict worth resolving?" Think seriously about what will happen if you don't resolve the issues. Can you live comfortably with the consequences? Sometimes that means life will go on as normal, and that may be all right. Other times it means a depressing and frustrating relationship comprised of low trust levels, poor communication, avoidance, and passive-aggressive behavior. If you do not wish to live with such negative consequences, then you will want to seriously consider the steps necessary to resolve the conflict.

Roger Fisher, a famous author and negotiator, encourages people in conflict to think about their BATNA—their Best Alternative To a Negotiated Agreement. Put another way, one would ask the question, "What is the best thing that can happen if we don't resolve the conflict?" Maybe the conflict will go away. Maybe everyone will avoid one another. Perhaps someone else will resolve it. Maybe people will just forget about the problem. In these cases, resolving the conflict may not be worth the effort.

However, you should also ask yourself, "What is the worst thing that can happen if the conflict is not resolved?" Will it go to court? Will we ever speak to each other again? Will the business survive with family members at odds? Will our kids get along? Many conflicts, especially in family owned or closely held businesses,

have severe, long term consequences. And often, the consequences go far beyond the generation currently in conflict, and can directly affect how future generations work together. Looking at conflict this way, I would suggest that resolving conflict in the family business is of primary importance.

The point is, each of us must come to our own conclusions about our interest in resolving conflict and working together. Insincere attempts at conflict resolution are almost always recognized. On the other hand, a commitment to jointly explore the issues in conflict, and a commitment to the process of looking for solutions based on common ground, will provide ample opportunities for family members and business partners to improve their relationships, communication levels, and decision-making ability. Finally, a commitment to resolve conflict will set the stage for a successful transition, and future operation, of the family business.

## Analyzing the Problem

If you decide that a conflict between family members, business partners, or employees needs resolution, the third step is for those in conflict to jointly analyze the problem to understand its sources.

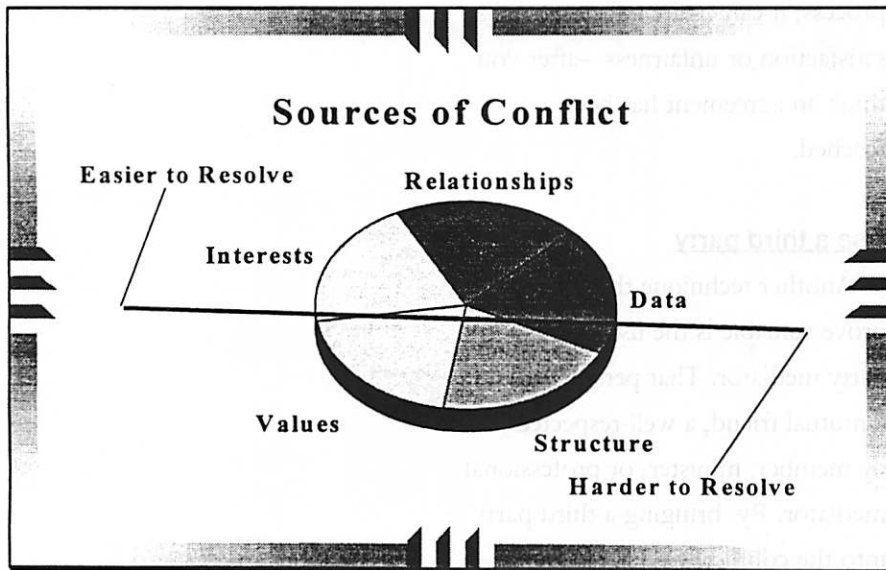
Analyzing the source of the conflict is important for a couple of reasons. First, joint analysis helps ensure that all parties have a common understanding about the problem, before

discussing a solution. In fact, one reason some people never agree is that they are focusing on solutions, while looking at the problem from totally different perspectives. Their ideas about solutions seem incompatible because of their different assumptions about why the conflict is occurring. Without a way to discuss each other's understanding of the problem, solutions are often incomplete, short term, and unsatisfactory.

The second reason joint analysis is important is that it generates agreement among people in conflict. Even though the parties are at odds, it is often fairly easy for people to agree about why a problem is occurring. This agreement helps build psychological and group momentum that lends itself to the solution.

A practical way to encourage joint analysis of a problem is to ask people to sit down together with the sole purpose of figuring out where the conflict is coming from. Don't try to come to solutions, don't try to implement ideas—just discuss the sources of the conflict. Are conflicts coming from personal events? From miscommunication or misunderstanding? From different goals? From disagreement with rules or policies? From different values? From a different understanding of the facts? The chart on the following page identifies five areas from which most conflicts arise:

Interest conflicts are conflicts over what people want—a particular outcome or solution—that is usually stated as a position ("I have to have



"Source for chart: Dr. Christopher Moore, *The Mediation Process*"

this..." or "It has to be done this way..."). If people's interests seem to be the source of the conflict, it helps to ask the question "Why do you want that solution?" This moves the conversation away from positions and more toward each party's needs, and serves as the basis for win-win solutions.

Relationship conflicts come from past events, the way someone was treated, miscommunication or misunderstanding. These problems can be resolved if people sincerely try to listen and understand where the other person is coming from, and then communicate that understanding back to the person. The power of listening and understanding should not be underestimated.

Data conflicts stem from disagreement about facts or figures. Agreement to listen to a common source (an expert or third party) for facts or figures can resolve these conflicts.

Value conflicts are rooted in differences about religion, morals, and politics, and often surface in family and work situations. These conflicts can be more difficult to resolve, but a step in the right direction is to try to understand why the other person believes what they do. Conflicts in this area may never be fully resolved, but we can know the basis for people's actions.

Structural conflicts can be conflicts over rules, systems, policies, and organizational structures. Quite a few conflicts of this kind surface in discussions about how to include family members and in-laws in the family business. Resolution of these problems usually involves a willingness of family members and business partners to sit down and work through a process of solving particular problems in a way that involves, in some way, the parties who are affected by the solution.

Resolving conflict is a different

kind of hard work than most of us are familiar with. However, a commitment to jointly exploring the source of the conflict often leads directly to a solution that works for all parties.

## Creating Options & Solutions

After agreeing on why the conflict is occurring, what do you do about it?

### Communicate

Of all the conflicts we mediate, about ninety percent are based on miscommunication or no communication at all. The parties may not see or talk to each other very often, which allows assumptions to flourish. Or they may misunderstand one another, then don't seek to clarify one another's positions. In families, we often think that brother or sister, mom or dad is saying the same thing they have been saying for thirty years, and so we automatically tune them out. The point is, we often take communication for granted.

Communication tips you can use to resolve conflicts include:

- Restating, in your own words, the other person's position, to make sure you understand what the other person is saying. This also lets the other person know you are hearing them.
- Noticing body language. Often, how we communicate non-verbally can contribute to (or detract from) the communication process. I remember hearing about a family in

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which one person was constantly walking in and out of the room while she was being spoken to. How do you think other family members felt when communicating with her?

- Reflect the feelings you are hearing. Is the other person frustrated? Excited? Disappointed? Angry? We often assume we know what other people are feeling when they talk, and we base our actions on that feeling. But if you ask how the person is feeling about the subject they are talking about (and why they are feeling that way), it helps clarify perceptions.

### **Focus on the problem-solving process**

Another technique useful in resolving conflicts is to agree on a process for resolving the dispute. You might begin by agreeing to a few “ground rules,” for example, not interrupting one another, the scope of confidentiality, and a specific meeting location, time and length. After the logistics are in place, you might agree that during the meeting you will first mutually define the problem and discuss its sources. Second, you will seek to clarify each person’s goals. Third, you will brainstorm possible solutions. Fourth, you will develop criteria for a good solution. Finally, you will pick the best solution based on the available options and your criteria.

The reason I suggest you articulate and agree on a process is that if people are at different places in the

process, it can create a feeling of dissatisfaction or unfairness—after you think an agreement has been reached.

### **Use a third party**

Another technique that might prove valuable is the use of a third party mediator. That person might be a mutual friend, a well-respected family member, minister, or professional mediator. By bringing a third party into the conflict, you effectively change the dynamics of the system. A mediator can help you focus, keep things from getting out of control, ask good questions, and suggest areas of agreement.

In the end there is no “magic recipe” for resolving conflict. It is hard work, sometimes involving compromise. Sometimes it gets worse before it gets better. Sometimes you have to listen to things you would rather not hear. Yet if you really want to resolve the conflict, the hard work, the focus on communication, and the agreement to the problem-solving process can really make a difference. If you have questions about this article or any of Kennedy and Coe’s mediation, facilitation, planning or training services, please call Carolyn Rodenberg or Lance Woodbury at (316) 685-0222.