The CPA as Conflict Resolver: An Opportunity for Enhancing Relationships

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The CPA as Conflict Resolver: An Opportunity for Enhancing Relationships

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The CPA often witnesses, or is caught in the middle of, conflicts between business partners, family members, and key employees. Although such conflicts may be uncomfortable for the CPA, the situation does offer an opportunity to enhance the professional–client relationship through the suggestion of ideas and processes to help the client resolve or manage the conflict. The CPA can identify signs of conflict, offer tips to help manage and resolve conflict, and recognize when professional mediation is needed in a business dispute.

Identifying Signs of Conflict

How can the CPA identify current conflicts, or even anticipate that conflict will occur in a business? Several indicators often suggest conflict is at hand or may be approaching. The first indicator, and most obvious from a consulting standpoint, is a client's indifference to, inaction on, or even ignorance of significant tax, legal, or financial issues. For example, a different ownership structure or compensation arrangement may save the business thousands of dollars in taxes, but for some reason the principals will not take action. This avoidance behavior suggests something may be lurking "under the surface" of what seems to be a normal business relationship.

Sometimes, conflict arises because a principal is unaware of the consequences of certain tax, legal, or financial issues. In most firms, principals are advised by their CPAs of the possible outcomes related to these issues. However, lack of understanding by the principal may lead to conflict later on when the principal grasps the implications or sees the results of the situation.

Another indicator of possible future conflict is a unilateral decision-making and implementation structure. If family members or business partners make major business decisions and can implement those decisions without input from other partners, there is a good chance that conflict will occur because of the feeling some partners may have about being left out of major decisions. The opposite extreme also holds true: If business partners cannot make any decision, especially minor decisions, without everyone having a say, then conflict will likely occur because of the feeling that partners are, as one client put it, "tripping over one another" in their decision-making structure.

Other indicators of conflict include—

- Low communication levels among business partners.
- Differing purposes and goals for the company.
- No articulation of individual performance expectations.
- A lack of job descriptions and performance measurements such as evaluations or reviews.
- Changes in the roles of the partners or key employees, such as retirement, business consolidation, or

new business developments and their accompanying responsibilities.

- Different work ethics.
- An absence of recognition or praise for good work.
- Financial insecurity.
- General uncertainty or lack of future business direction.

Conflict may also arise if the firm lacks a buyout plan, a succession plan, a business or strategic plan, or a pension.

Managing and Resolving Conflict

Once the CPA recognizes that a conflict exists or is likely to occur, there are several techniques available to help manage or resolve the conflict. The common theme running through each technique is that the CPA, as a trusted business advisor, is the catalyst for the client considering resolution of the conflict. In short, the CPA's questions and observations can help a client see his or her interest in resolving the dispute. Getting clients to admit there is a problem and commit to addressing it are often the biggest hurdles in conflict resolution (as opposed to the actual negotiation and problem solving that must occur).

Getting to the Table

The first technique to get clients to the table is to help partners in conflict identify their alternatives to resolving the dispute. A good way to do this is to ask a few questions: "What is the best thing that can happen if the dispute goes unresolved?" Maybe the best thing that can happen is that the dispute will just fade away. "What is the worst thing that can happen if the dispute continues?" Will it go to court? Create low employee morale and high turnover? Have a negative effect on customers and vendors? Create a negative professional and community image? One of the primary reasons to resolve conflict is to avoid the consequences that will result from the continuation of the dispute. Help the client think about those consequences.

Another technique to bring business partners into negotiation is to ask the parties "What will you lose by trying to resolve the problem?" Again, compared with the financial and human costs of unresolved conflict (for example, legal fees, high turnover, and low morale), the cost of trying to negotiate is usually far less than the alternative. Outline a joint financial and human cost-benefit analysis of resolving the conflict versus continuing the dispute.

Another technique is to discuss with the business partners the value of agreeing, ahead of any dispute, on a process to resolve future problems. This technique is often used, for example, in partnership arrangements when property needs to be valued. The parties agree that they will pick two appraisers, who will in turn pick a third if they cannot agree on the value of an asset, and the parties will be bound to the third appraiser's valuation. Similarly, asking parties to agree (while they are getting along) that they will try to work out the situation themselves, then use a mutually trusted advisor, then revert to a mediator, if necessary, is a way to commit business partners to managing conflict.

Preventing and Resolving Conflict

Another important resource in managing conflict is helping business partners see their differences in expectations, personalities, and behavior. Too often business partners have "unspoken" expectations, never voiced because of long histories, good relationships, or fear of spoiling positive interaction with talk about potential problems. We like to think we know the people we work with, and that they know us, especially in family owned or closely held businesses. However, when partners do something differently than others would have done it, feelings of bewilderment, disappointment, or frustration may set in. Those feelings, when expressed in an unhealthy fashion (or not expressed at all), can lead to serious conflict. Such conflict can often be prevented—or at least understood—with personality profile instruments (for example, the Meyers-Briggs, DISC, or True Colors) and frank discussions that define each partner's roles, goals, and expectations.

If in the middle of a dispute there is no opportunity for preventive conflict resolution work, a few techniques can facilitate a more productive dialogue:

- *Develop ground rules.* One technique is to facilitate a discussion of ground rules. These are principles of conversation that keep the discussion from becoming too negative. Such principles include no interruptions, no character attacks, and the sharing of all relevant information. In fact, we often encourage parties in a dispute to come up with their own ground rules, as they are then committing to their own, not an outsider's, ideas. Agreeing on ground rules "jump-starts" the general momentum of agreement.
- *Restate positions.* Another technique is to encourage the parties in dispute to consider one another's perspective by having each party restate the other's position. When the battle is heated, people in conflict often assume they know the other person's position. Slow down the assumption process by asking each partner to restate what he or she thinks the other person's position is. This often clears up the misunderstandings and miscommunication that fuels conflict.
- *Focus on interests behind positions.* Many times, partners get tangled up over what the other partner wants, without asking "Why does my partner hold that position?" For example, partners may be in conflict over time spent at the business. What usually happens is that the partners accuse each other of spending too little time—or sometimes too much time—at the business, and the conversation becomes a heated debate over "commitment to the business" framed as "you are expected to put in [so many] hours." However, no one really ever asks why the partners have scheduling differences. Maybe one partner has more parenting or homemaking responsibilities? Perhaps the partner who comes in later spends time working at home? As a trusted advisor, you can help the parties look behind

their positions and move them toward solutions based around interests. In short, ask the parties "Why do you want what you want?" Common ground is often found around the interests of each party.

- *Analyze the source of the problem.* Joint analysis of a conflict's sources is another useful tool in reaching agreement. With both parties present, ask the question "Where is the source of the conflict?" Is it an interests-based conflict? Is it a conflict over data or information? Is it a relationship conflict fueled by past negative events? Is it a conflict over deeply held values (for example, family, work, religion)? Is it a structural conflict created by rules, policies, or overlap of job roles and responsibilities? This tool is useful because it takes the focus off positions, promotes education and dialogue, and, if the parties agree on the source of the conflict, generates more agreement momentum.
- *Mutually define the problem.* Many conflicts occur because parties do not have the same understanding of what the problem actually is. Encourage the parties in conflict to jointly develop a concise written statement of the problem. This will often clear up misunderstandings and demonstrate the different perceptions that contributed to the conflict. This tool also allows for dialogue and promotes understanding between the parties.

Using a Professional Mediator

When close to a conflict between business partners, the CPA may wonder when it is appropriate to put the parties in touch with a professional mediator. There are several criteria to consider concerning the use of a professional mediator:

- The CPA may be uncomfortable trying to resolve the dispute on his or her own. The effort to do so might include dealing with the parties' strong emotions, keeping tight control of the meeting, or staying out of the substantive issues and remaining focused on the meeting process. A professional mediator, however, is trained to deal with these issues.
- If the CPA is not perceived as neutral or impartial by the parties involved in the dispute, he or she may not have the credibility and acceptance to serve as a third party. In this situation, a professional mediator may need to be brought in to assure the disputing parties that he or she will work for the best interests of both parties and will understand the balance required in resolving disputes.
- A mediator from outside the firm can "take the heat" off the business advisor if he or she feels that involvement in a dispute-resolving capacity might jeopardize his or her neutrality with one of the parties, or risk a trusted professional-client relationship.
- If the CPA is likely to jump in with solutions to the problem, he or she may want to use a mediator. It is important that the parties not see the neutral third party as the solution-provider, to encourage greater ownership of the solution. A mediator can work with the CPA, who can offer ideas and substantive suggestions, while the mediator controls the meeting process and interaction.

All clients and businesses experience conflict. Since CPAs are often the most trusted business advisors, they have a unique opportunity to provide clients with conflict resolution advice and assistance. By recognizing when conflict is occurring, using a few techniques that might prevent or manage the conflict, and knowing when professional mediation is appropriate, the CPA can greatly enhance the advisor-client relationship while providing a high level of service. ◆