



WIFU_compact_18: How Do Conflicts Arise?

Conflicts among the circle of owners are possibly the most prevalent cause of existence-threatening crises in family businesses. In the family of a family business, conflicts are more than just a squabble or a feud among relatives; escalating disputes can bring decision-making processes to a halt, damage reputation, market position and durability, and financially drain the business.

Do families not always sort it out in the end?

Many family businesses have a blind spot on this matter, assuming that everyone will get on in the end. In WIFU's research, we call this "fictional consensus" – "fictional" because the consensus is deceptive. A conflict can be compared to a smouldering fuse: no matter how long the fuse is, if everyone ignores it there is a risk that it will eventually explode.

Our family doesn't have the time to worry about hurt feelings.

Therefore, it is important to identify and understand conflict, that is, real conflict. A bad mood or a sour comment is not yet a conflict. Conflicts follow a distinct dynamic and show typical patterns. It is important to remain vigilant and sensitive to detect clashes before they develop. As conflicts are frequent, they are well-researched and extensively described. Thus, each business family does not have to start from scratch in avoiding them.

We choose to stick to technical issues and clarify them.

This would be ideal. However, a business family is not a chemical compound that can be clearly distilled in a lab into the elements of "family" and "business" or "reasoning" and "feeling". Supposedly technical issues are almost always tied to emotional aspects around justice, respect and (although not always admitted to) love. A typical example is the planning of succession among siblings – a fertile ground for feelings of jealousy, envy and rejection. Just as susceptible to serious disputes are career opportunities for children, pay-outs and inheritances.

How will I know that a conflict is brewing?

To begin with, a conflict always involves at least two people, each of whom contributes to it. Thus, it can be useful to actively acknowledge one's own spontaneous reactions and sentiments. Do I see the other person as an equal ... or an adversary ... or even an enemy? Do I regard them as stupid and/or evil – or can I at least understand their position? What is my half of "blame" for the conflict? Am I facing sound arguments or just bad will? Be cautious of any argument that starts "This is a matter of principle for me..." Barricades are built of principles.

Below, five patterns are outlined that typically lead to or drive conflict.

- 1 The invoice that is not factual but personal:**
In firms, the causes of a crisis are not sought in the complexity of a task but, rather, in the inability or malice of the "faulty" party. Everything then appears quite simple because the culprit has been found, a culprit who has not just made a decision that was perhaps unwise but has done so *because* they were "always" like that and could "never" do anything right anyway ... and so on.
- 2 The fundamental error of perception:**
The behaviour of others is seen as revealing their (naturally malicious) character. Still worse, they are then seen as leaving us with no option but to fight back in the same way, as "they didn't want it any other way" or "they just don't understand any other language".
- 3 The hostile error of perception:**
This blocks any way out of the spiral of conflict. If Party A makes a constructive proposal, Party B rejects it: "As if I'd agree to that! They are trying to trap us, but we are not falling for that." Party A then responds "That was our final offer. But if you want to play it that way, we can do that too!" And round and round they go, with the conflict escalating at each turn ...

4 The wounded sense of justice:
There is no formula for what is “just” (or seen to be just). Especially in families, each member keeps their personal “justice account”. Yet, what each member does for the family is “accounted for” very differently from one individual to another and is regarded as a deposit to the justice account. This poses a problem when account statements are presented – and this often happens in tense situations such as when an inheritance is due.

5 Psychological contracts:
These are statements, sometimes only hints, that are perceived as promises but are not intended to be so. Families encounter them frequently: “Later you will ...”, “Start first, then later we will ...”. The breach of such supposed commitments, which may have formed the basis for an entire life plan, can lead to major disappointments and massive conflict scenarios.

What happens if a conflict cannot be solved?

A massive escalation of conflict at the corporate level will lead to decisions being delayed, reversed or not taken at all. In a competitive market environment, this can endanger the existence of the family business. At first, it may seem advantageous for individual shareholders to leave the owners’ community in such a situation. Yet, this step may also endanger the firm if their leaving is tied to a significant outflow of funds that may, for example, lead to investments not being made (quickly enough). From the family’s perspective, major conflict entails the risk of losing their sense of community: members no longer see themselves as trustees of a joint family business and leave – suddenly or gradually – the trans-generational relationship.

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