



WIFU_compact_20: Handling Conflict Proficiently

Unsolved conflicts can potentially endanger the solidarity of a business family and the very existence of the family business. Therefore, the family should never simply let a conflict continue, believing it will “work itself out”, or ignore it. Conflicts can become a heavy burden. The Witten Model of Family Strategy Development dedicates an individual section to this subject as the development of personal conflict competency is a fundamental skill for every shareholder.

What can we do? Conflict is just a part of life ...

That is true, and we do not focus on avoiding conflicts but on finding a solution-oriented way of handling them. It is decisive to intervene early as the escalation of relational conflict rapidly debases the communication between those involved until they speak only of, rather than to, one another, or they communicate only via their lawyers.

How can a business family systematically approach the subject of conflict?

Families with no history of severe conflict, in particular, tend to underestimate the subject. As an initial stocktaking, the family should start by answering a few questions of themselves:

- What is our basic attitude towards conflict?
- How could conflict be addressed as a systemic risk?
- Where and how can we talk about affronts and disappointments? Are there any “clearing the air” days when such concerns can be raised openly?
- What do we as family members know about conflicts – their creation, patterns and means of coping with them?
- Which family member and which external person are trusted by everybody and can be approached for support?
- Might it be useful to (temporarily) leave a conflict – and under which circumstances would this apply?
- Do the applicable legal frameworks contain conflict clauses?
- Is there a structured procedure and process flow in case of conflict?
- Does the family have a family constitution that addresses handling conflicts?

These questions should not be seen as a checklist but as reflective questions or food for thought to develop a conscious understanding of conflicts, their creation, and dynamics as well as strategies for prevention and solutions. In the next step, the family could simulate possible conflict scenarios and solutions as a dry run. Every family has the potential for conflict – generally in easily identified areas – just as every human is prone to illnesses. What is important is not preventing the conflict but how it is handled. Will the family gain new experiences and emerge stronger, or will only the debris remain? An internal family “stress test” can bring to light gaps in its rules of conduct and instructions for action.

In our family, everyone already has their own way of dealing with conflict.

Members of a family know one another – they are familiar with one another’s egos and peculiarities and know how to deal with them accordingly. In some families the dust quickly settles; in others, anger builds up. However, for business families, it is important to consider two things. Firstly, mixing “family” and “business” spheres can be fatal. Keyword “disinhibition of communication”: what is said in a private argument (and how it is said) must never become part of a shareholders’ meeting. The two spheres need to be strictly separated, especially when it comes to disputes. Secondly, one way of dealing with conflicts is to sit them out or simply ignore them, but experience shows that conflict aversion is rarely fruitful.

Not everybody has a talent for diplomacy.

This makes it all the more important to use discussions among family members or the development of a family strategy to address the subject and formulate rules: How does the business family want to deal with conflicts, solve them and prevent escalation? It has proven useful to entrust one person (the “welfare officer”) or – in larger families – a board (the “family council”) with the management of the business family. One of their tasks is to be the first point of contact in the event of an emerging conflict or to suggest a solution to a difficult situation. Clear pathways to follow in cases of conflict, binding on all family members, should be known by everyone and, if necessary, included in the family constitution. It is crucial that family members communicate openly when they feel wronged. To this end, the 48-hour rule has shown effective: the problem must be reported within this period to the designated persons. This ensures that the conflict will be addressed and that a buffer is created between the opposing parties to prevent rapid escalation.



Is it not better that an external mediator acts as a “justice of the peace”?

Every business family should have some conflict resolution competency of its own. At the same time, conflicts may arise that a business family cannot handle themselves. In such cases, consulting an external mediator may be reasonable. If the conflict starts impacting the family business, the family needs to ensure that the business remains capable of making decisions. For example, voting rights may be temporarily transferred to a third party. (In order to become legally binding, such arrangements must be documented in the relevant contracts.) The following table gives an overview of potential conflict management procedures.

STEP	ACTORS INVOLVED	CONTENT/ACTIVITIES
1	Contact person within family body as a conflict resolver	Chosen members of the family body are designated to act as a contact person and attempt to approach the conflict through internal family talks. If the conflict is not resolved, it will be handed over to an external conflict moderator.
2	External conflict moderator	The external conflict mediator conducts a conflict-resolution process. If the conflict is still not resolved it will be handed to a mediator.
3	External conflict mediator	If mediation does not succeed, an attempt to find a solution is made with non-family representatives of the supervisory body.
4	Inclusion of a non-family representative of the supervisory body	Selected non-family members of the supervisory body prepare a proposal for a solution. If this proposal is not accepted, the matter is shifted to a pre-agreed arbitration tribunal for a decision.
5	“Third-party”/ arbitration tribunal	The defined arbitration tribunal will make a decision that is binding on all shareholders and family members through the shareholders’ contract (arbitration clause). Legal processes are therefore excluded.

Five attempts to address conflict

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