

# Negotiating with Your Kids: Family Business Succession and Conflict Management

Giuseppe Valenza<sup>1</sup>, Andrea Caputo<sup>2</sup>, Vincenzo Zarone<sup>3</sup>, Massimiliano M. Pellegrini<sup>4</sup>

<sup>1</sup>Mediterranean University of Reggio Calabria, Italy – <sup>2</sup>University of Lincoln, United Kingdom – <sup>3</sup>University of Pisa, Italy – <sup>4</sup>University of Rome Tor Vergata, Italy

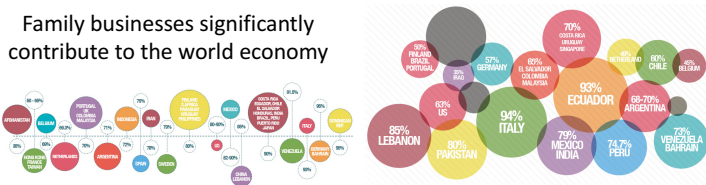
## Abstract

Through a conceptualization of two bodies of literature, the conflict management and the family business, with this paper we aim at stimulating a debate and further research on the intersections of the two fields. We argue that scholars and researchers have not yet deepened several areas of conflict management in family businesses, and the two fields of literature are yet not well integrated. Focusing on the pivotal moment of the succession in the family business, we propose a research agenda identifying the issues and the research gaps that should be explored by researchers to reach a more integrated literature on conflict management and negotiation in family businesses.

**Keywords:** conflict, family business, succession, negotiation.

## Introduction: Why?

Family businesses significantly contribute to the world economy



Critical aspect: **intergenerational succession**

- Only 30% of family businesses survive after the first generation (Davis and Harveston, 1998, p. 32; Handler, 1990, 1992; Ward, 1997)
  - inability of the incumbent generation to step down,
  - lack of engagement of the incoming generation,
  - conflict of visions between heirs,
  - lack of planning and preparation for the succession

## Can Conflict Management & Negotiation Theories help to successfully manage the intergenerational succession?

Conflict management & negotiation theory (e.g. Fisher and Ury, 1981; Raiffa 1982; Lax and Sebenius, 1986; Caputo, 2011)

- Gap:** scholars have not yet fully deepened several areas of conflict management in family businesses:
- strands of the literature are still not fully integrated
  - there are no comprehensive studies

**Aims of the paper:**

- critical literature review
- research agenda

## The literature: What?

Characteristics of family businesses

There is no common agreement on a definition (Botheim, 2006; Litz, 1995; Astrachan et al., 2002; Corbetta, 1995; Gibb and Dyer, 2006; Martínez et al., 2007)

Some commonalities (Mandl, 2008; Lambrecht and Naudts, 2008)

- the founder (or an heir of the founder) is in a leading managerial position
- other family members are employed in the company and/or participate in the property and/or the internal decision-making process
- non-family managers (if any) are aware of being influenced decisively in their actions by the family group

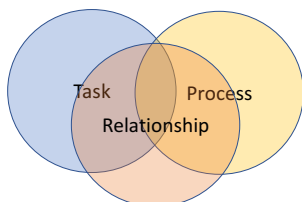
A definition from the European Commission includes:

- majority of decision-making rights are connected to the family
- at least one representative of the family or kin is formally involved in the governance

Training family members is a key aspect

(Handler, 1992; Gersick et al., 1997; Mazzola et al., 2008; Barbera et al. 2015)

individual factors  
business environment factors  
training strategy



## Type of conflicts

In Family Businesses relationship conflict tends to influence more the other types of conflicts, potentially harming the benefits of conflict. (e.g., Jehn, 1992, 1997 a, b; Jehn and Mannix, 2001; Putnam, 1994)

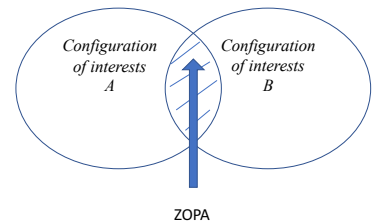
## Conflicts in family business

- the potential for conflicts in family businesses seems to be higher (Lee and Rogoff, 1996)
- because it depends on the combination of conflicts in the company and conflicts stemming from the family (Harvey and Evans, 1994)
- the transition of the company from the old to the new generation, called "generational change", can be considered one of the crucial phase
- the inter-generational succession can be affected by factors that result from an inappropriate relationship between the older generation and the new generation (Gersick et al., 1997; Kets de Vries and Miller, 1984, 1987; Kets de Vries, 1996; Landsberg, 1999; Miller, 1991; 1993)
- Succession must be properly prepared through a specific training period of the successor, and also a period of co-management, where the outgoing and incoming entrepreneur share management areas to facilitate the transfer of corporate knowledge that invokes the concept of "familiness" (Habbershon and Williams 1999; Cabrera-Suarez et al., 2001; Habbershon et al., 2003)
- Some studies about long-lived family business (Bontì and Cori 2011, 2012, 2013; Rossato and Giaretta, 2014) highlight the importance of integration between traditional and innovative skills at each generational shift (Cori and Bontì 2014)

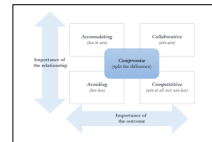
*Drawing from Conflict Management & Negotiation theories can help family businesses to handle conflicts, particularly at the succession stage*

## An agenda

- Sebenius (1992) argues that the possibility of the existence of inefficient agreements appears, and the need for a possible positive zone agreement in a way that the parties can reach an agreement is assumed (Zone Of Possible Agreement – ZOPA)



How do we draw the ZOPA, and how do we enlarge it, in family business negotiations?



- How do family members handle conflict in family business?
- Can we draw from the dual-concern model?
- Are strategies in CMN different in family businesses?

## Conclusions

- conflicts in family businesses can be very intense
- This is because the company is controlled by individuals who are both organizational members (bound by owners and economic constraints) and relatives (so linked by ties of kinship)
- the conflict can be intense in the case of intergenerational succession
- Cases of failure: Bancroft, Barings Bank, Gucci
- it seems that today there are no sufficient scientific contributions dealing with conflict resolution techniques in family businesses, especially in terms of inter-generational succession, through the application of conflict management techniques and negotiation theory
- This goal can be achieved through an appropriate convergence and integration of the two fields (conflict management and conflict in family businesses) that are currently totally separate

*it is necessary to integrate the two research field that so far have been developed separately*

- studying what are the major conflicts in family businesses (type, causes, dynamics, type and number of people involved, intensity of the conflict)
- studying what conflict management tools are most effective in the solution of these conflicts (type, effectiveness, individuals involved in the use of the tool, time to solve the conflict)
- studying what conflict management tools are more effective in solving conflicts that arise during the generational shift