

# FAMILY BUSINESS AND THE BUSINESS OF CONFLICT

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# Agenda

- Scenario
- Conflict Basics
- Negotiation Preparation and Process
- Negotiation Agility and Episodes
- Critical Moments
- Case Study
- Q&A

# Scenario

- Mr. Moreno was an immigrant and started working selling newspapers on the street. He was ambitious, clever and a risk taker. He developed a love for the industry and dreamed of one day owning his own newspaper company.
- Before long, he bought his first small local newspaper. He built it to be one of the leading newspapers in the city.
- He acquired other newspapers, and built one of the biggest media empires.
- He had two sons and a daughter. He brought the two sons into the business and the daughter's husband.
- He remained President of the company until he was 82 years old.
- Tell me some of your impressions of this story. Where might there be conflict?

# Family Business in U.S. & Latin America

- 90% of companies in U.S. are family businesses.
- They account for 64% of U.S. gross domestic product, generate 62% of employment, 78% of new job creation.

## In Latin America:

- Immigrants mixed with local indigenous populations, mid-19<sup>th</sup> century and later.
- 5 key components of successful family firms in Latin America:
  1. People
  2. Responsibility
  3. Entrepreneurial spirit
  4. Adaptability
  5. Reputation

(Why Family Businesses are the Hidden Gems of Latin America, 2018, *Tharawat Magazine*, Prof. Claudio Müller)

# Facts About Family Business

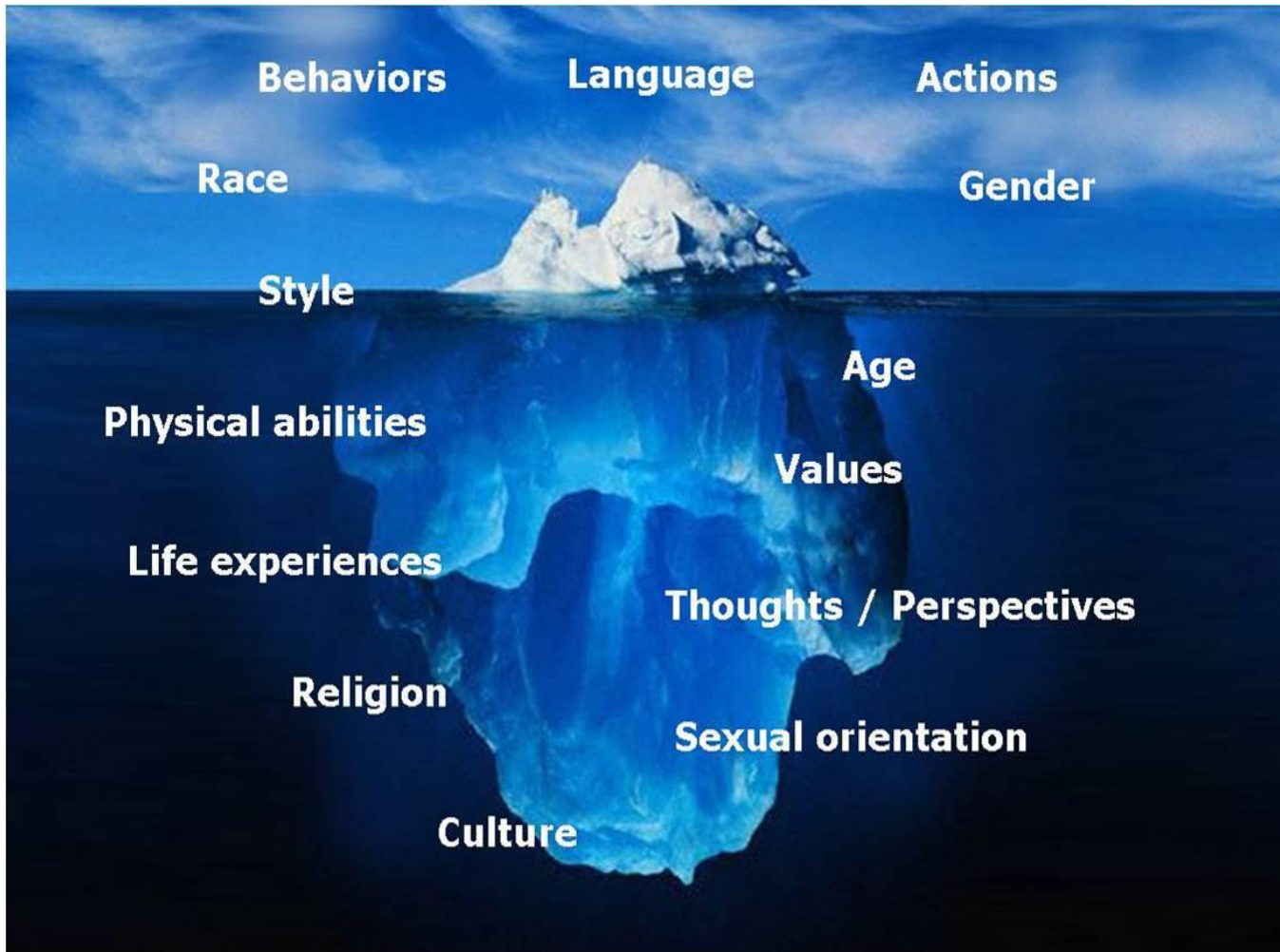
- Family businesses apply a long-term perspective so more stability, sense of connection and identity.
- Tenure of leadership is 5X longer than their counterparts; mean age of family control in core business is 60 years.
- More than 30% of family businesses make the transition successfully from 1<sup>st</sup> to 2<sup>nd</sup> generation; 12% in 3<sup>rd</sup> generation; 3% in 4<sup>th</sup> generation and beyond.
- Important to transfer values in addition to wealth.
- **40% of family business owners are expected to retire; less than half who will retire in 5 years have selected a successor; nearly ½ have NO succession plan in place.**

(Conway Center for Family Business, 2000-2019)

# ABOUT CONFLICT

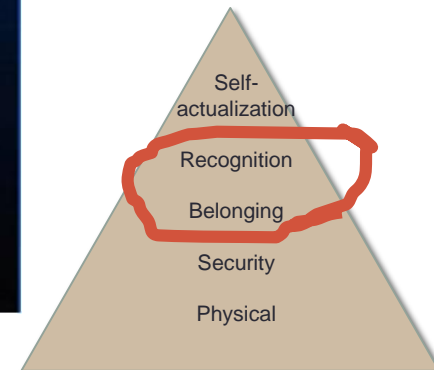
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# Positions & Needs

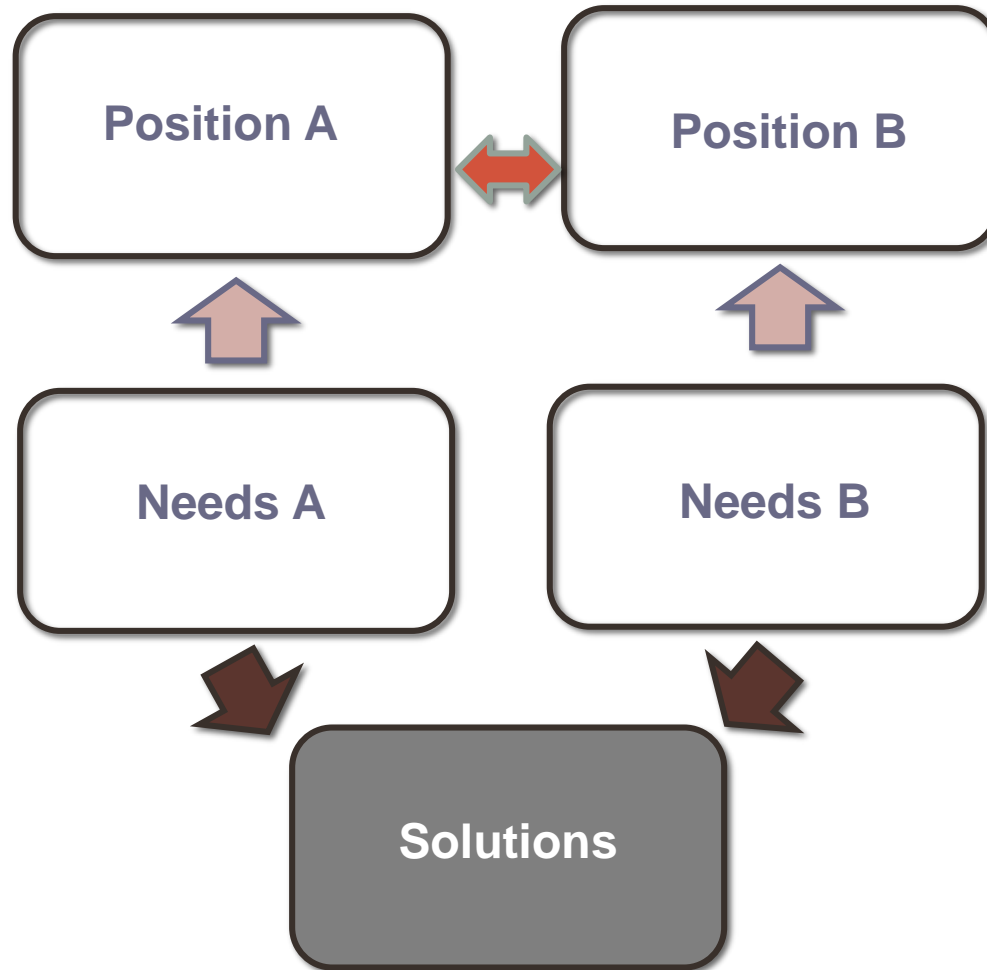


← **Positions**

← **Needs**



# Positions vs. Needs

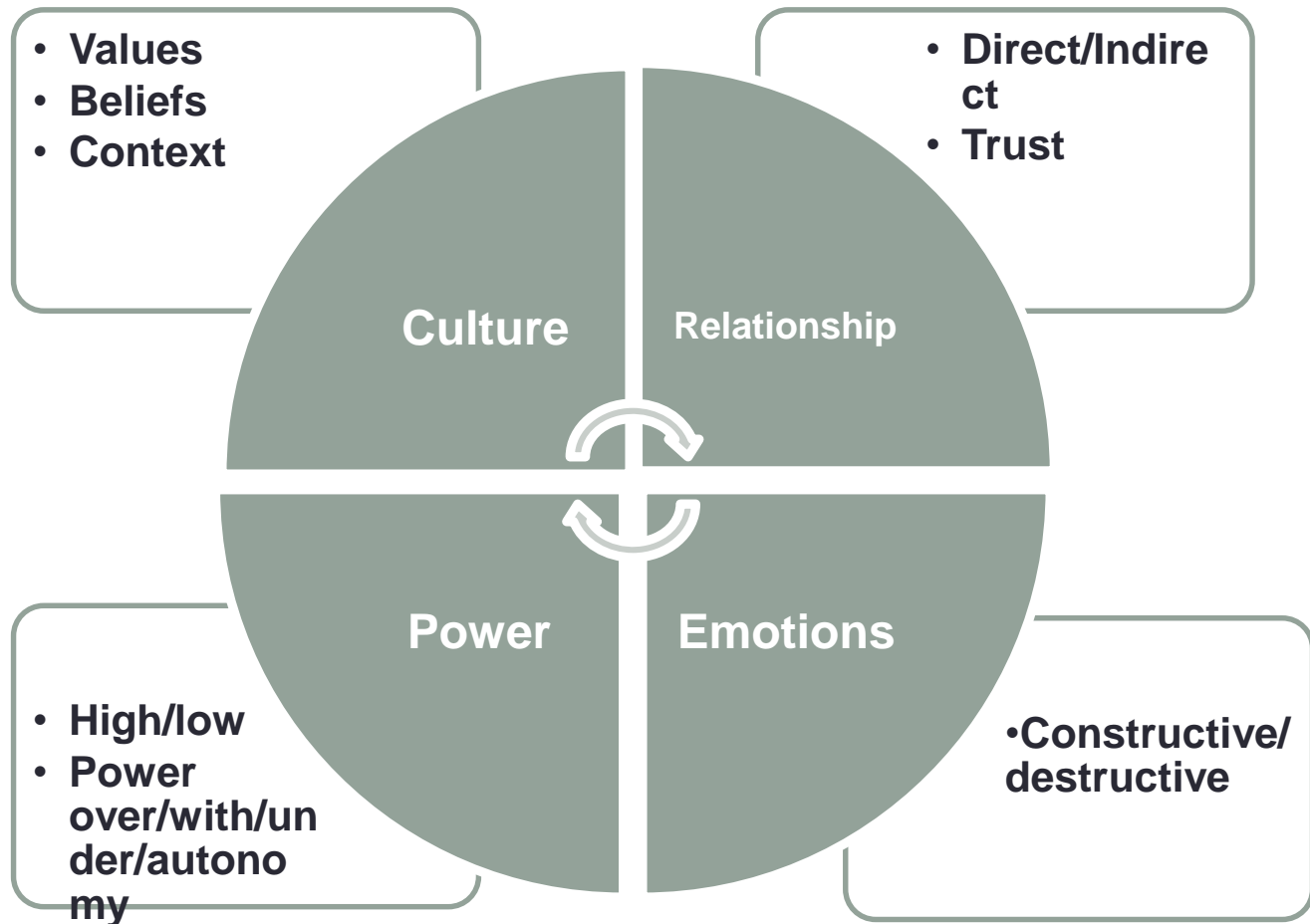




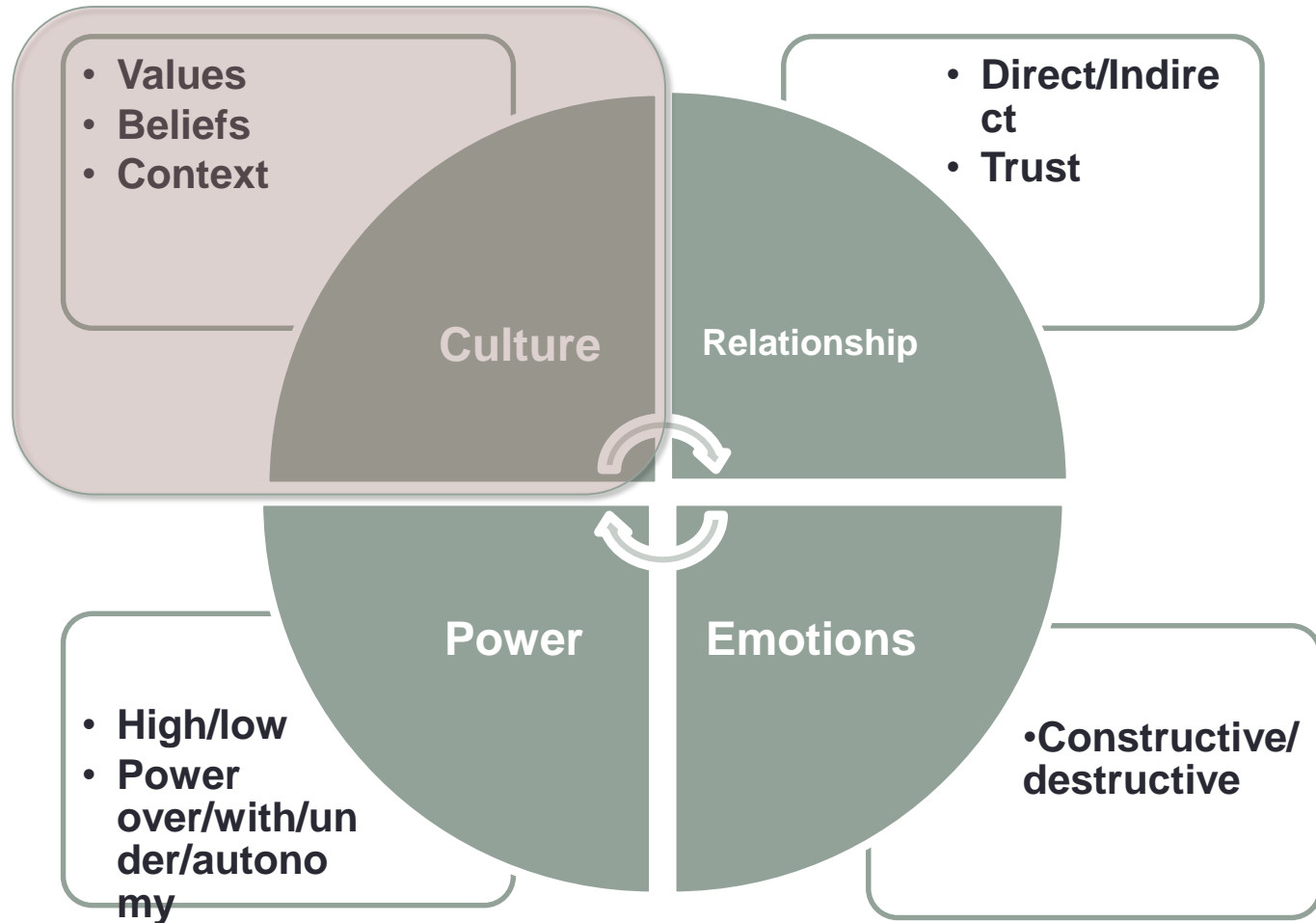
# Conflict

**Content:** the substance of the conflict

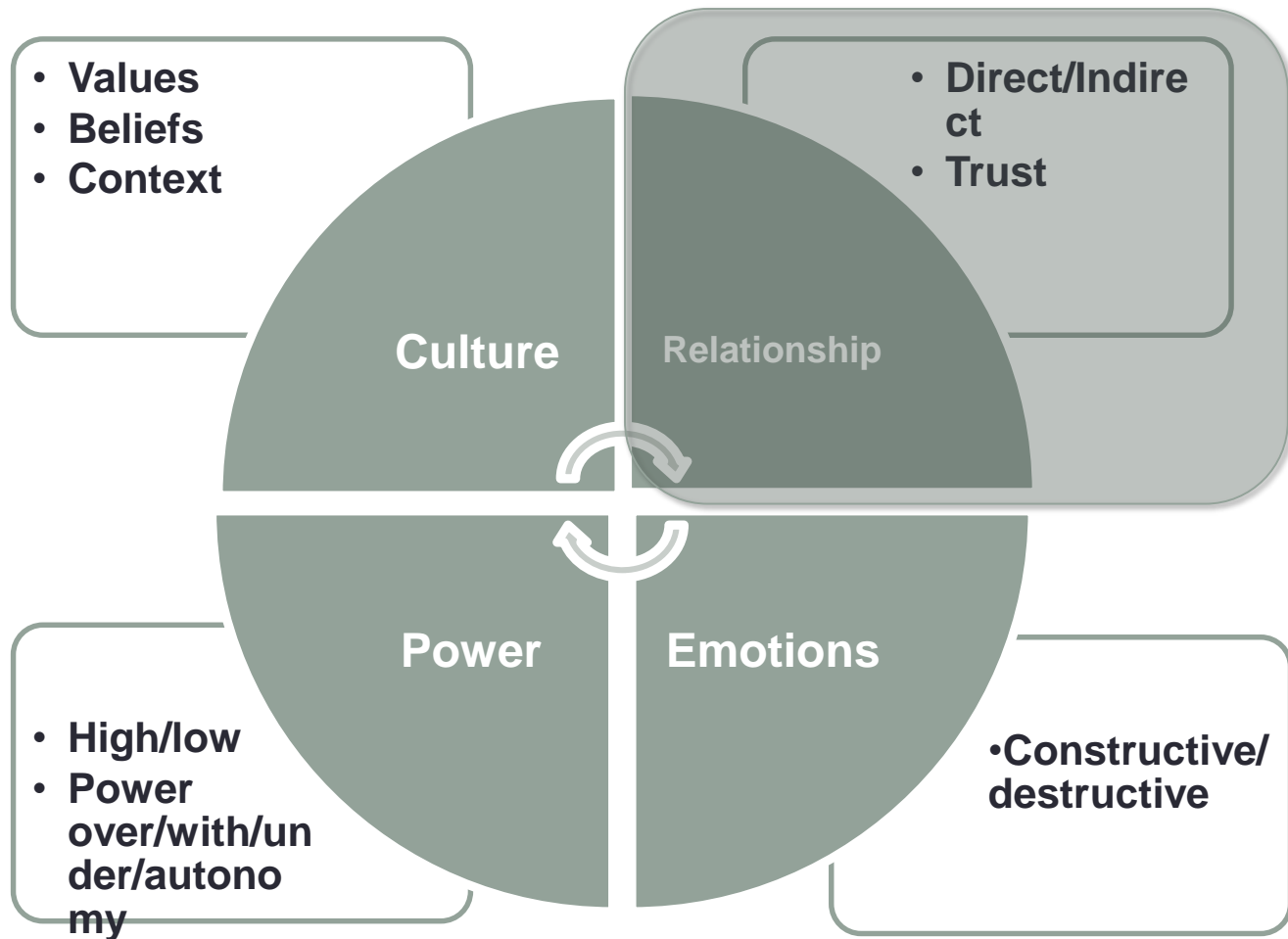
**Process:** the ways in which the conflict is created, perpetuated, escalated and resolved



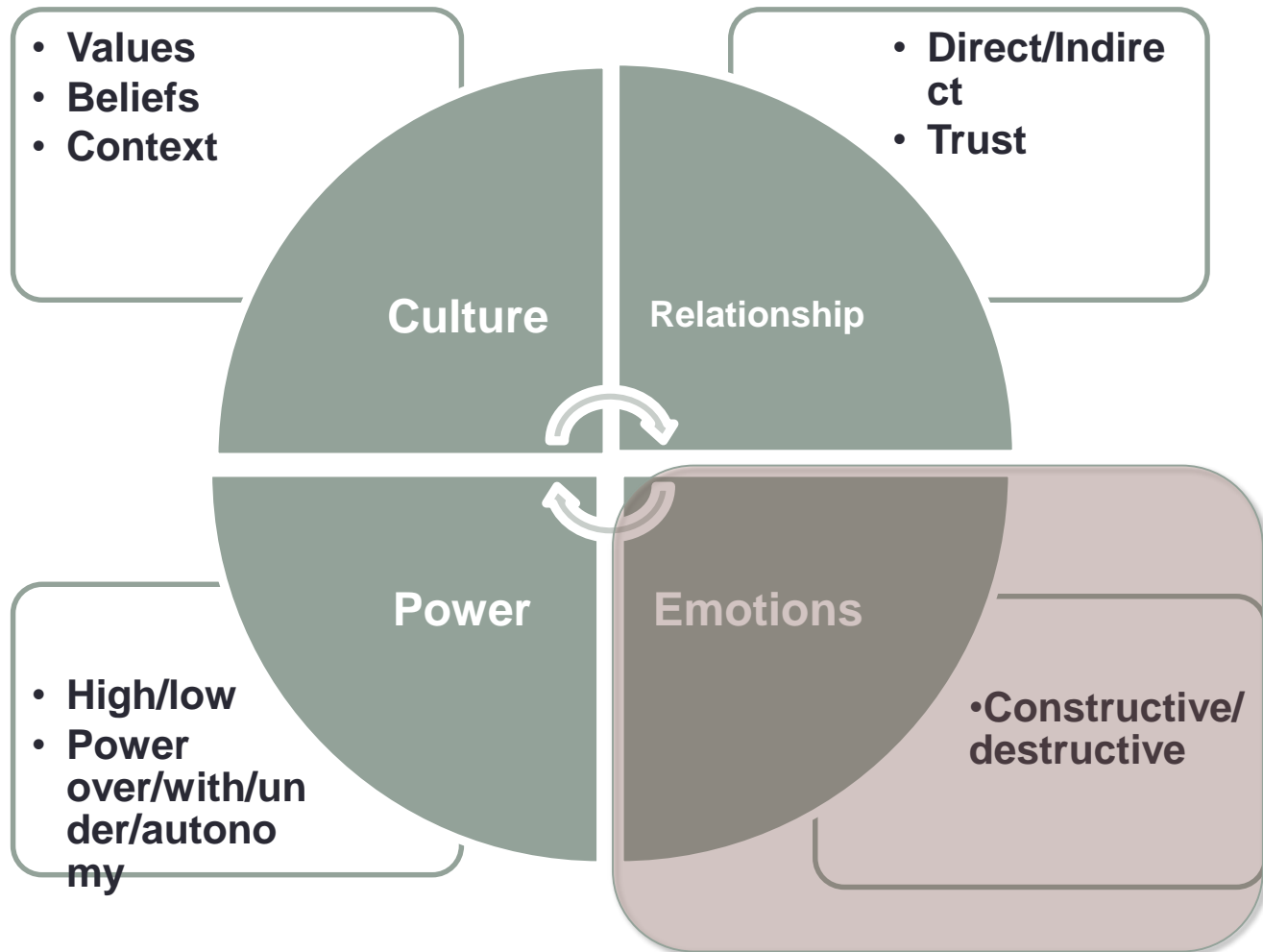
# Culture



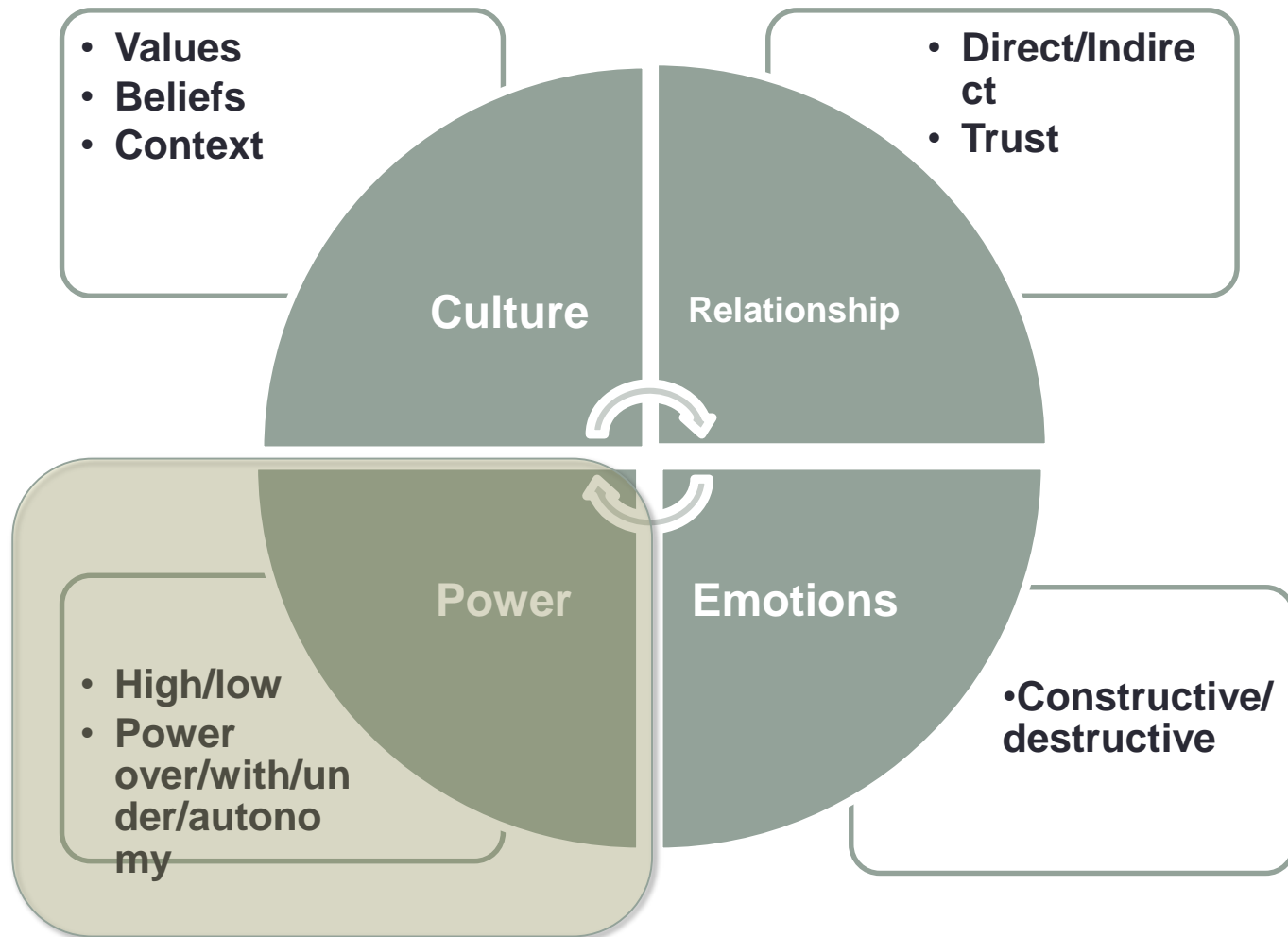
# Relationship




# Emotions



# Power



# Identity Conflict

- When someone feels diminished, damaged, wounded, threatened
- This can happen when resources symbolize someone's intrinsic worth 
- “how much someone is *valued* or *loved*”
- The factors that can influence and create conflict, culture, relationship, emotions, power, become seen through this lens
- The conflict becomes more complex and the resolution is not straightforward.

# 6 Types of Family Conflict

1. Sibling rivalry
2. Fighting for the crown
  1. Fathers and sons
3. The house that hubris built
  1. Histrionic: superficial charm and manipulative
  2. Narcissistic: grandiose, self-focused, no empathy
  3. Perfectionist: rigid, stubborn, dictatorial
4. Heads in the sand – insularity trap
  1. Internal conflict distracts from external reality
5. Schism – the house divided
  1. Insider vs. outsider
  2. Disconnected family members
  3. Fairness in sharing the resources
6. Un-civil war
  1. Flawed judgment of founder
  2. Disregards for emotions of family members
  3. Form factions

*Family Wars: Stories and Insights From Famous Family Business Feuds* by G. Gordon & N. Nicholson

# DEALING WITH CONFLICT

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Negotiation

Mediation or 3<sup>rd</sup> Party Intervention



# Negotiation Preparation Checklist

Categories	Question Prompts
Goals Long-term: Short-term:	What are my goals for this particular negotiation? How does this negotiation fit into my overall strategy?
Stakeholder Analysis	Who are the actors directly involved in this negotiation? Who is indirectly involved?
Relationship	What is the nature of the relationship with these actors? What type of relationship do I want to build?
Framing	How will I frame this negotiation so that it is collaborative?
Create the Need	What opportunities can I identify that will engage all relevant parties?
Communication	What do I want the other parties to hear? (Consider Communication Model) How will I communicate that to them?
Scenario Planning	What are the possible reactions they will have to my proposals? If they do A how will I respond? If they do B?
Agility & Resilience	What is my BATNA? What are my back-up plans if this negotiation does not go well?

# Art of Questioning

Categories	Questions
<b>Clarification:</b>	<ul style="list-style-type: none"><li>• Why do you say that?</li><li>• How do you see this relating to our discussion?</li></ul>
<b>Probe Assumptions:</b>	<ul style="list-style-type: none"><li>• What could we assume instead?</li><li>• How can you verify or disprove that assumption?</li></ul>
<b>Probe reasons and evidence:</b>	<ul style="list-style-type: none"><li>• What would be an example?</li><li>• What do you think causes this to happen?</li></ul>
<b>Viewpoints and Perspectives:</b>	<ul style="list-style-type: none"><li>• What would be an alternative?</li><li>• Would you explain why it is beneficial and who benefits?</li></ul>
<b>Probe Implications &amp; Consequences:</b>	<ul style="list-style-type: none"><li>• What generalizations can you make?</li><li>• What are the consequences of that assumption?</li></ul>
<b>About the Question:</b>	<ul style="list-style-type: none"><li>• What was the point of this question? (I am not sure I understand the point of this question?)</li><li>• Why do you think I asked that question?</li></ul>

# Negotiating Agility

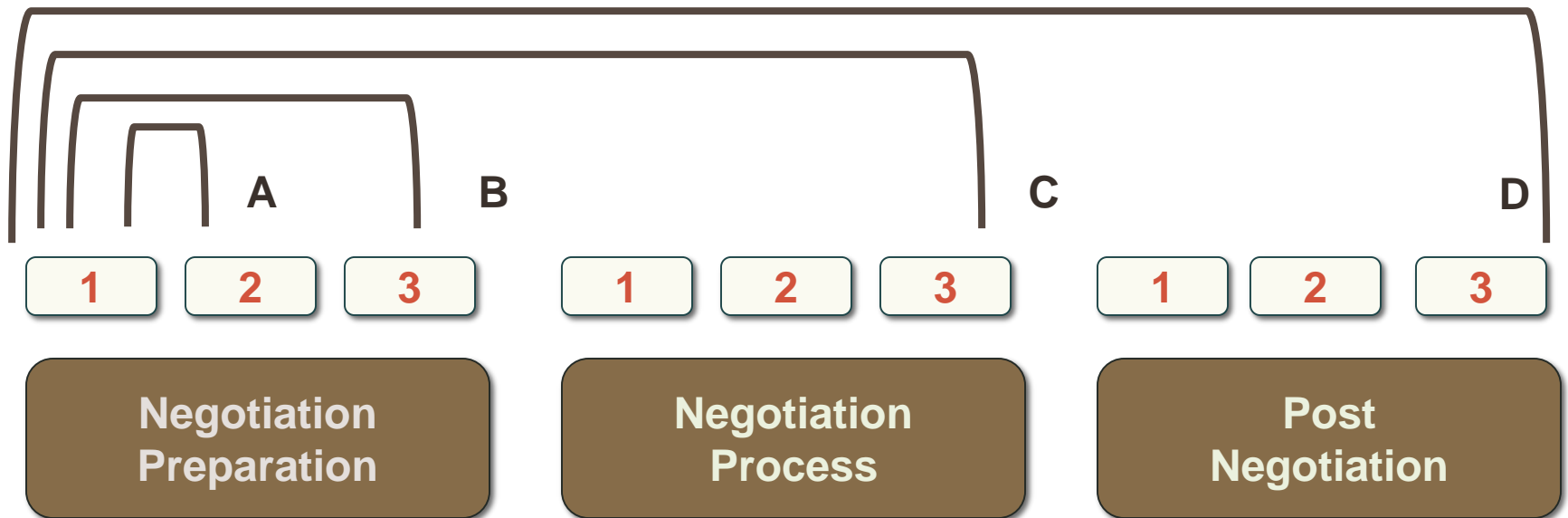
Preparation is very important.

It is the difference between succeeding, getting by, or failing.

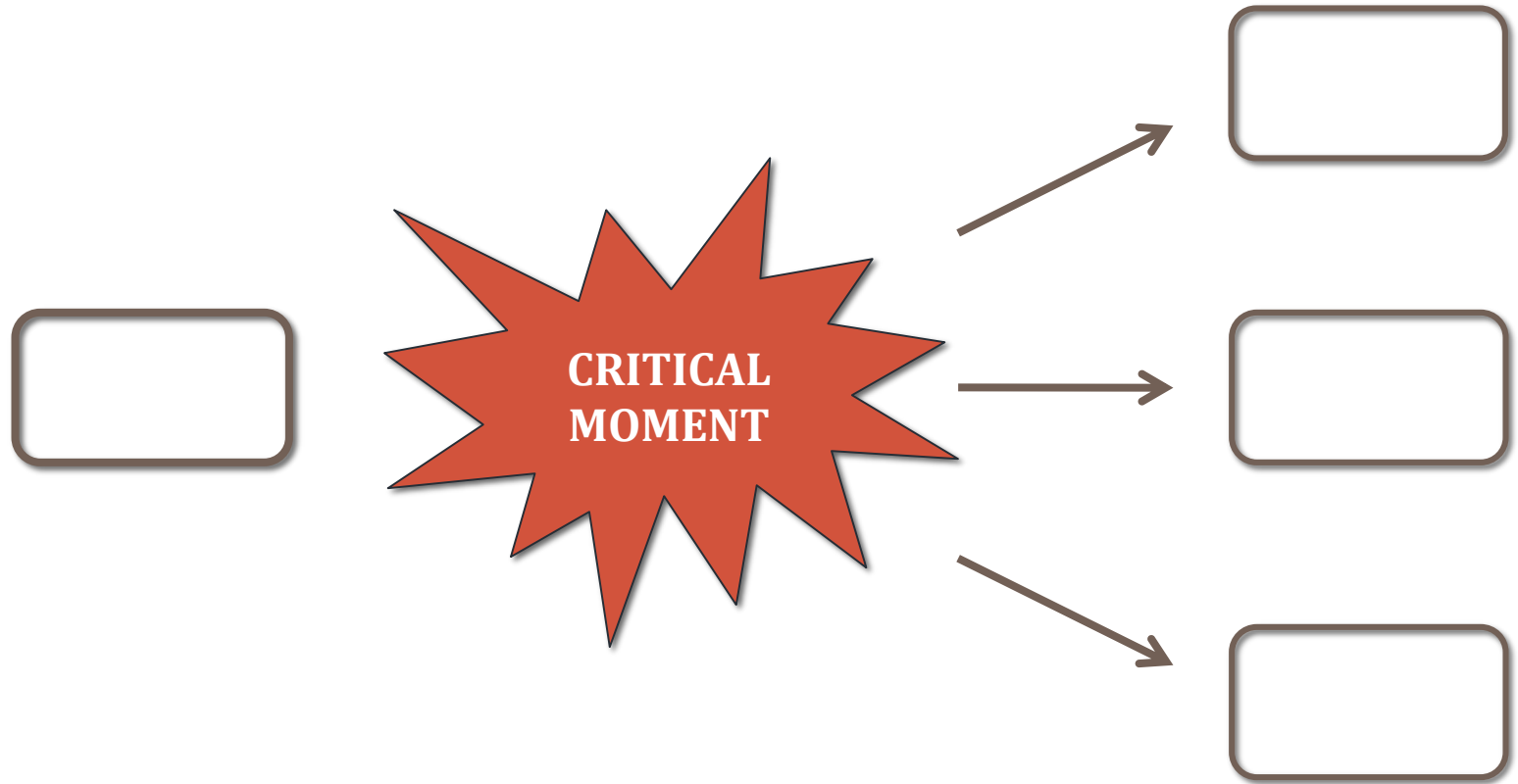
When we prepare different possible scenarios we recognize potential “critical moments” that we will be more prepared to handle.

It is an alternative strategy to “deer in the headlights” or “winging it.”

# Negotiation as an Episode



# Critical Moments



# 3<sup>rd</sup> Party Intervention

- Mediation is a facilitated negotiation
- Use mediation when
  - Negotiations break down
  - Level of emotion is too high
  - Communication is broken
  - Pattern of conflict is deeply embedded
- Various styles of mediation
- Provides new perspectives
- Need to address substance and relationship.

# Case

- Read through the case study and discuss in your group.
- Identify the issues and underlying needs fueling this conflict.
- Select one issue you would address and frame it as an episode.
- What would you say? Who would you say it to? What would you ask?
- Be prepared to share insights with the larger group.

# Q&A

Questions?

Comments?

Thoughts?

Insights?





THANK YOU!

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