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Conflicts in Family Firms in the International Context: A Literature Review

ABSTRACT

Objective: This paper reviews the major family business research papers that address factors related to relationship and work-to-family conflicts.

Methodology: The procedure this paper applies follows recommendations for literature reviews by Fink (2010) consisting of: (1) selecting a research question (2) selecting bibliographic or article databases, (3) choosing search terms, (4) applying practical screening criteria, (5) applying methodical screening criteria, (6) doing the review and (7) synthesizing the results.

Findings: The article summarizes that, although family business research is progressing in terms of theory building, it continues to lack a systematic adoption of longitudinal, cross-national and multi-theoretical approaches. To date, research on conflict in family firms remains underdeveloped in the CEE.

Value Added: Outlining the state of the art of theoretical and empirical studies by applying a resource-based view.

Recommendations: Application of control variables, such as size of the business, business life cycles, generational status, type of industry and various cultural settings. Furthermore, the role of communication, sibling rivalry and perceived justice of family members could be investigated more thoroughly.

Key words: international family firm, family-owned business enterprise, relationship conflict, work-to-family conflict

JEL Classification codes: D10, D64, M21

Introduction

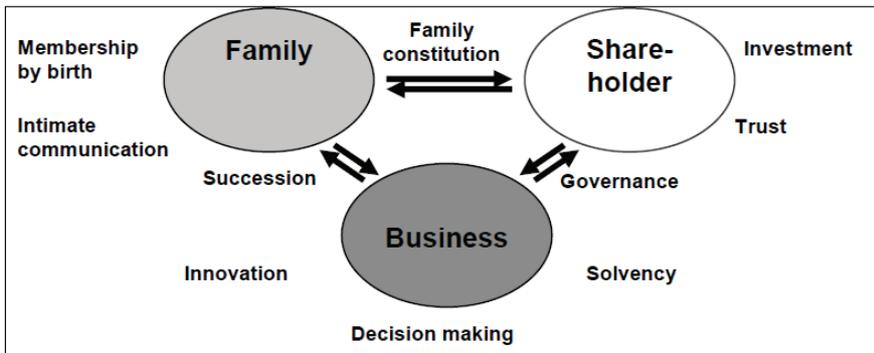
Family business prevails as the most pervasive form of business in many countries and raises specific questions concerning succession, governance and particularly relationships between family members. Over 70 percent of businesses worldwide are private or family owned. Further, according to Hnilica and Machek (2015), family businesses play a powerful role in the world economy, constituting more than 30 percent of all companies with sales in excess of \$1 billion. Family businesses tend to take a long-term view, can be quite risk-averse and favour debt-free growth strategies offering economic stability in times of financial crisis.

A family's vision and succession intentions are among the most important characteristics distinguishing between family and non-family businesses. Family businesses in Central and Eastern Europe (CEE) virtually re-emerged after the fall of communism. Newly created family businesses were part of the transition from a centrally planned economy to a market economy and served as the "backbone" of the economy (Gallo, 2004) ever since. Family

businesses in the CEE with continuous development were very rare. Considering the average age of the founders of businesses created/privatized in the last decade of the 20th century in the CEE, the following observation can be made: nowadays, a quarter of a century later, most of their founders are between the age 55 and 65. Thus, the process of the first succession of founders to the first generation successors has been occurring. As a result, family businesses in the CEE are compared to Western countries in specific situations. They have, however, the opportunity to learn about the specifics of family businesses from a vast offer of foreign literature and experience.

Very few family firms survive to the second (Beckhard & Dyer, Jr., 1983) or third generation (Applegate & Feldman, 1994), mainly due to unsuccessful succession planning. Not only succession, but conflicts are two of the greatest threats to the successful continuity of family businesses (Nasser, 2014). The handling of conflict is thus crucial for the long term survival of a family business. One of the main reasons for conflict in family business is an underestimation of the specifics of the three systems described in Figure 1.

Figure 1. Logic of three systems involved in family business



Source: Groth & Slevogt, 2004, p. 4.

From a sociological systems theory perspective, family businesses can be seen as social systems characterized by the coupling of family and

business (Valentinov, 2014). The functional logics of these two systems differ in many elements as described in Table 1. The interaction of the family culture on one side and business culture on the other is the cornerstone of misunderstanding. In a family business, conflict can arise from the dominant presence of the family – setting the rules and having ultimate power, the lack of formalized systems and structures to deal with conflict, and having no formal organizational structure or operative systems, along with the co-mingling of business and family roles (Harvey & Evans, 1994). As a result, the co-existence of business and family is a fertile field for conflict and may make them especially vulnerable to negative consequences.

Table 1. Functional logics of business and family

Element	Business	Family
Survival condition	As long as payments can be made	As long members exist
Survival means	Development and sale of products and services	Physical and emotional integrity of members
Membership conditions	By reciprocal decision (hire, fire, entry, exit)	By destiny (birth, death) or singular existential events/decisions (adoption, marriage, divorce)
Membership status	Exchangeable bearer of function	Unexchangeable individual
Prevalent mode of communication	Interaction between present persons (oral communication) and formalized bureaucracy (written communication)	Interaction between present persons (oral communication)
Interaction rules motivation	By tasks	By needs of persons and family tradition
Main communication address	Function, competence	Emotional, psychological and physiological needs and conditions
Rule of justice	Equity	Equality, need or balancing accounts

Source: Plate, 2010, p. 12.

Literature review

The theoretical background applied for this literature review, is the resource-based view (RBV), which stands out due to its simplicity (Kraaijenbrink et al., 2010). The idea of looking at firms as a broader set of resources goes back to the seminal work of Penrose from 1959 (Wernerfelt, 1984). When classifying resources, it is important to distinguish between tangible and intangible resources, with the latter often being more likely to generate a competitive advantage due to their rare and socially complex nature that impedes imitation (Suess-Reyes & Fuetsch, 2016).

As stated in the introduction, the family business is a specific social system characterized by the coupling of a family and a business (Valentinov, 2014). This "coupling" can constitute a liability or an asset for the business. This paper is thus simultaneously grounded in sustainable family business theory (SFBT), a behavior-oriented systems theory demonstrating integration of the family system, the business system, and their interplay (Danes & Brewton, 2012). SFBT recognizes that conflict among related family members is distinct from conflict among unrelated organizational team members (Kaye, 1991).

Methodology

The procedure this paper applies follows recommendations for literature reviews by Fink (2010) consisting of: (1) selecting a research question (2) selecting bibliographic or article databases, (3) choosing search terms, (4) applying practical screening criteria, (5) applying methodical screening criteria, (6) doing the review and (7) synthesizing the results.

After selection of the research terms, two databases (Web of Science and EBSCO Business Source) were chosen and search terms shown in Table 2 were employed. In order to use a valid knowledge base, the following procedure from Suess-Reyes and Fuetsch [2016] was applied: first, the search was restricted to peer-reviewed, English language, scholarly journal articles and

second, the time frame was limited to articles published between January 1997 and January 2018.

Applying these restrictions, an initial article search resulted in 2729 matches, in the first step. In the second step, 163 articles with low relevance from EBSCO Business Source were eliminated by reading titles and abstracts. Further, articles from Web of Science were eliminated, due to a very low compliance rate. In the third step, 23 additional articles were excluded based on their remote thematic focus on relationship conflict or work-to-family conflict. In order to extend the scope of the search, in the fourth step, 15 additional articles were identified from the reference lists of the 11 articles selected up to that point.

Table 2. Search and selection procedure

	Step 1	Step 2	Step 3	Σ	Step 4	Total
Web of Science						
(TS=(family AND business* OR firm*) AND TS=(relation* and conflict*))	1545					
(TS=(family AND business* OR firm*) AND TS=(work* and conflict*))	987					
EBSCO Business Source						
(AB family) AND (AB business* OR firm*) AND (AB relation* conflict*)	44	-23	-15	6		
(AB family) AND (AB business* OR firm*) AND (AB work conflict*)	153	-140	-8	5		
Total	2729	-2695	-23	11	15	26 articles

Source: Author.

Step 1: A broad paper search in two databases (criteria: peer-reviewed articles, published between 1997 and 2018, English language)

Step 2: Elimination of irrelevant articles from EBSCO Business Source by reading titles and abstracts and leaving out Web of Science articles.

Step 3: Elimination of articles failing to address the thematic focus by reading the articles.

Step 4: Adding further relevant articles by screening reference lists of articles after step 3.

Results

The 26 articles under review were published in 17 different journals from, among others, the economic, management, sociological and psychological fields from the period 1997 to 2018. Journals with the largest output were *Family Business Review*, *Entrepreneurship: Theory & Practice* and *Journal of Small Business Management*. The majority of articles (21) followed a quantitative approach. With regard to topical focus, the sample contains 12 articles addressing relationship conflict and 14 articles addressing work-to-family or family-to-work conflict. The location of the majority of articles is the USA. In the following two subsections, the key findings are presented from a selection of articles reviewed on relationship conflict and work-to-family conflict.

3. 1. Relationship conflict

Members of family who have difficulties juggling multiple simultaneous roles, such as father, son, brother, boss, owner, etc. – may spur conflicts in the business (Dyer & Handler, 1994). Conflicts can be categorized into three types – task, process, and relationship (Jehn, 1995). These conflicts arise in the context of organizational issues and relate, in particular, to differences in viewpoints and opinions regarding a task or controversies over aspects of how task accomplishment will proceed (Jehn & Mannix, 2001).

Relationship conflict exists when there are interpersonal incompatibilities and disagreements that typically include tension, animosity, and annoyance (Simons & Peterson, 2000). In the Kellermanns and Eddleston study (2004), relationship conflict conceptually represents the frequency and intensity of interpersonal conflicts between family members within the business system. It is often believed that the presence of relationship conflict is an important factor to consider in understanding family member obstruction because it has been found to both interfere with work efforts as well as lessen cohesion and goodwill (Jehn 1997).

Family members often differ with the founder and conflict frequently results (Beckhard & Dyer, 1983). In the concept of preference incongruity among individual family members, Davis and Harveston (2001) reveal a relationship between conflict in a family business and the composition of the family's work group. They find that relationships between conflict and family influence differ according to the generation of the family business, thus supporting the presence of a moderating generational influence. They conclude that specifically third or later generation firms were subject to more conflict than were either first or second generation firms. In this sense, the lack of accumulated organizational learning might be an advantage for the majority of family businesses in the CEE.

As Kellermanns and Eddleston (2004) put it – family members are “locked” into the firm because of their inability to sell their shares at current market prices. Furthermore, the exit costs of leaving the family firm are high because the family member may lose firm-specific knowledge, experience, possible rights of inheritance, status, and other privileges associated with employment in the family firm (Gersick et al., 1997; Schulze et al., 2003).

Relationship conflict has been established as a key construct with the potential to destroy value in family firms (Kidwell et al., 2011). Ownership families experience high relationship conflicts, have low cohesion (lower emotional bonding) and the relationship conflict negatively affects firm satisfaction and firm performance (Nosé et al., 2017). Further, Kellermanns and Eddleston (2004)

argue that not only does relationship conflict have a devastating effect on a family firm's performance, but also prevents task and process conflict from having a beneficial effect on performance. In so doing they acknowledge that the effects of conflict on performance cannot be completely understood without taking into account the relationship among family members in family firms. They propose that greater generational involvement heightens the importance of task and process conflict to family firm performance.

The study of Eddleston et al. (2008) elaborates further on the variable of generational involvement and examines the impact of participative decision-making on relationship conflict. Their findings indicate that at higher levels of participative decision-making for first and second-generational firms, cognitive and relationship conflicts decrease, whereas for multigenerational firms, both types of conflict increase.

Table 3. Random selection of 5 out of 12 papers reviewed on "relationship conflict"

Author(s), year	Journal	Research question/ topic	Geo. setting of the study	Methods	Nr. of citations
Kellermanns and Eddleston (2004)	Entrepreneurship: Theory & Practice	How can a firm gain the benefits of conflict without the costs		Qualitative: 7 propositions model	496
Nosé et al. (2017)	Journal of Family Issues	if positive family climate influences the negative effect of relationship conflict on both of the business outcomes (firm satisfaction and firm performance)	Austria	Quantitative: 392 family businesses	6

Author(s), year	Journal	Research question/ topic	Geo. setting of the study	Methods	Nr. of citations
Kidwell et al. (2012)	Journal of business ethics	Relationship conflict in the family firm mediates associations among (a) perceived norms of family harmony, (b) perceptions of distributive fairness, and (c) role ambiguity, and family impediment.	USA	Quantitative: 147 family businesses	70
Davis and Harveston (2001)	Journal of Small Business Management	Four conflict key issues: ownership continuity or change; executive leadership continuity or change; power and asset (money) distribution; and management 's vision for the firm.	USA	Quantitative: 1002 family-owned firms	217
Eddleston et al. (2008)	Journal of Small Business Management	How generational ownership dispersion moderates the relationship between participative decision-making and cognitive and relationship conflict	Northeastern USA	Quantitative: 86 individuals from 37 family firms	122

Source: Author.

Work-to-family and family-to-work conflict

When roles related to family and work are in conflict, it is globally termed as work-to-family conflict. Work-to-family conflict is defined as a form of inter-role conflict in which the role pressures from the work and family domains are mutually incompatible in some respect (Greenhaus & Beutell, 1985). Researchers have argued that work and family conflict is particularly relevant to family business owners regardless of whether the conflict is rooted in family demands that reduce their ability to attend to business needs, work demands that reduce their ability to fulfil the (non-work related) needs of

family members, or a combination of both (Foley & Powell, 1997; Kellermanns & Eddleston, 2004).

Family business owners face additional pressures to maintain both business processes and healthy family relationships while at work (Werbel & Danes, 2010), which suggests that the means by which work and family conflict affects work-related and family-related outcomes may be different for family firms versus non-family firms. Generally speaking, work and family conflict occurs when work demands interfere with family responsibilities (work-to-family conflict: WFC), and when family demands interfere with work responsibilities or requirements (family-to-work conflict: FWC) (Frone, Russell & Cooper, 1992).

Smyrnios et al. (2002) underscores the importance of specific mediating factors being associated with types of work-to-family conflict. They emphasize that work-to-family conflict should no longer be regarded as broad-based. Distinct forms of work–family conflict should rather be identified and evaluated for their impact on overall measures of role performance. Next, they demonstrate that different types of work-to-family conflict indirectly and differentially affect family role performance with the influence of a mediating variable such as family cohesion. Last, they prove a positive reciprocal relationship between work-to-household and work-to-interpersonal conflict. This finding is to be expected, given that owners who indicate that work has a negative effect on interpersonal relationships are more likely to report that working in the business interferes with household responsibilities (Smyrnios et al., 2002).

The main findings of a recent study (Carr & Hmieleski, 2015) indicate that family-to-work conflict serves as a greater source of work tension for founders leading family business than for those leading non-family businesses, and work-to-family conflict serves as a greater source of work tension for founders leading non-family business than for those leading family businesses. These results are, however, to a large extent dependent on cultural differences and priorities. Implications for family businesses in the CEE might require a cautious approach. As an example, Wu et al. (2010) found that work

and family were asymmetrically permeable, with work-to-family conflict being significantly more predominant than family-to-work conflict.

Memili et al. (2015) developed a theoretical framework that highlights the role of conflicts that emerge among family members working for the family firm. First, family business members' role conflict differs from that of employees in non-family firms due to the duality of roles, heavy influence of family firm-specific socio-psychological factors, and high levels of reliance on family members' human and social capital to achieve a competitive advantage and ensure the long-term survival of the firm.

The Wu et al. (2010) study incorporates the aspect of partners in family businesses, which is not a rare situation in the CEE. Their results have important implications for theories concerning the co-entrepreneur's balance of work and home life. Many co-entrepreneur's believe that small business ownership would enhance the quality of life is questionable, according to this study.

Table 4. Random selection of 5 out of 14 papers reviewed on "work-to-family conflict" and "family-to-work conflict"

Author(s), year	Journal	Research question/ topic	Geo. setting of the study	Methods	Nr. of Citations
Carr & Hmieleski (2015)	Entrepreneurship: Theory & Practice	How founders of family versus non-family firms attribute work-family considerations and related conflict to their subsequent well-being.	USA	Quantitative: 223 young companies	7
Memili et al. (2015)	European Journal of Work & Organizational Psychology	What factors mitigate/elevate role conflict in family firms?		Qualitative: theoretical framework	15

Author(s), year	Journal	Research question/ topic	Geo. setting of the study	Methods	Nr. of Citations
Kellermanns et al. (2007)	Journal of Business Research	The relationship between (a) cognitive conflict and (b) process conflict and family firm performance is moderated by generational ownership dispersion.	Northeastern USA	Quantitative: 36 firms with multiple respondents	153
Wu et al. (2010)	International Journal of Human Resource Management	Hypothesis: WFC is negatively related to business and marriage outcomes.	Taiwan	Quantitative: 202 married couples in family business	32
Smyrniotis et al. (2002)	Understanding the Small Family Business	Testing a causal model of stress-based conflict and family cohesion to family role performance	Australia and USA (New England)	Quantitative: 1320 businesses (Australia) and 156 businesses (USA)	71

Source: Author.

Conclusion

The aim of this paper is to review the literature on relationship and work-to-family conflict in family firms. It proves that managers and owners of family firms face challenges not only from operational business, but also from issues connected with family. To date, research on conflict in family firms remains underdeveloped in the CEE. All papers reviewed do not come from this region. The interactions and dynamics of family business as a social system are characterized by the coupling of a family and a business need to be better understood in the CEE. Underestimation of the role of conflict could have a deleterious effect on the succession rates of family businesses in the CEE.

Most of those studies reviewed rely on data collected at a particular time. One suggestion would be to observe measures in a longitudinal study. Very often the control of variables, such as size of the business, business life cycles, generational status, type of industry, and so on are being omitted. The generational status is actually extremely important with regard to the context of the CEE situation of from founder to first generation of successors.

Next, family business members' conflicts might differ under various cultural settings. A cross-national CEE comparative study would reveal the specific characteristics of the CEE region. Furthermore, the role of communication, sibling rivalry and perceived justice of family members should be more thoroughly researched. Last, while most studies tend to assume that conflict is unhealthy and disruptive, it should be noted that conflict may have a positive effect on a family and their business, mainly through the learning process of problem solving.

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