

# Changing Lanes

Transition planning for entrepreneurs and family businesses

Volume 4 | Issue 1

with compliments from



Edward Rosenfeld

## Managing Change is Key to Success

We live in a world of constant change. There isn't a company or organization around today that doesn't feel the pressure of change and the resulting uncertainty around the future.

In general, we fear change. We fear stepping into the unknown. Yet it is this change that enables our growth and subsequent success.

Often this fear of dealing with change stems from the realization that conflict is an inevitable by-product. Conflict occurs when the status quo is no longer acceptable. Conflict arises when people resist change or when they have different opinions about what those changes should entail.

Consider the following graphical relationship. Building for success creates change. Change, in turn, creates conflict.



It follows that failure to address this conflict will have a negative impact on the ultimate success of your business. Business owners and their families who bury the conflict do not manage change well and subsequently limit the level of success they enjoy.

On the other hand, those who manage the conflict appropriately create what we term "positive conflict" which can bring about further improvements that leads to greater success.

The key to creating this *positive conflict* is confidence – the confidence to recognize that conflict doesn't have to be negative and, if dealt with in a structured environment, can be very constructive.



In the last issue of Changing Lanes, we examined the first two complexities that present considerable challenges for business families and, if not addressed, could have a negative impact on their ability to successfully transition the business to the next generation. **Unresolved conflict** – the failure to address conflict – is the third of those complexities and is the focus of this newsletter.

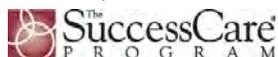


Guiding Families and Business. Now to Next.

### Inside....

Unresolved Conflict	2
Create Positive Conflict	3
Develop Prevention Techniques	3
Issue Resolution Process	4

Powered by



# Changing Lanes

Transition planning for entrepreneurs and family businesses

## Unresolved Conflict

Unresolved conflict refers to our tendency to ignore growing issues and allow them to escalate.

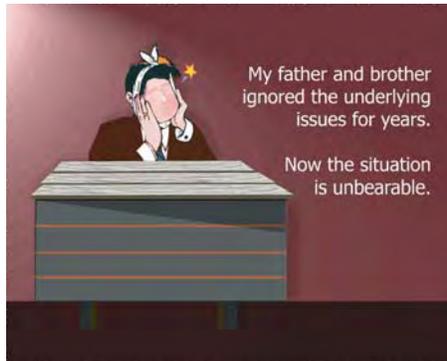
Many of us fear conflict because we don't know how to manage it or we are afraid of destroying relationships that are important to us. The latter is especially true in business families.

So we are inclined to hide or bury the conflict. We leave it to fester. Much like that nagging toothache, we imagine that if we don't think about it, it will eventually go away. Instead it often grows into an extremely painful abscess which can subsequently burst and poison the system.

We routinely read in the newspapers about prominent family businesses dealing with the negative impact of unresolved conflict. The end result is often a lawsuit that only serves to further disconnect the family – as was the situation with the McCains of McCain Foods and the Shoens of U-haul fame.

Conflict typically arises out of situations involving:

- Different visions for the direction of the family business
- Conflicting principles and values
- Failure to let go of the past
- Reluctance by the senior generation to pass on authority
- Power struggles between copreneurs or generations
- Sibling rivalry or jealousy
- Clash of personalities



A more proactive approach is to address the conflict by first learning how to recognize our fears and then following a formal process to manage them. Consider the following suggestions to resolve conflict ranging from the simple to the very complicated:

- Be aware of your fears
- Create positive conflict
- Develop prevention strategies
- Adopt an issue resolution process
- Engage a third party to resolve conflict

With the continuity of a family enterprise so dependent upon a "we focus" and healthy relationships within the family unit, it is vital that we find ways to address roadblocks rather than leave conflict to fester. 

**"I just don't want family fights," bemoans Sophie. I don't want the fights we had with Jim and Beth."**

Research shows that conflict in family businesses magnifies with each generation.

Also true is the fact that the longer the conflict festers, the harder it is to resolve.

The situation around ownership in Penmaen Tool and Die is a perfect example. Some twenty years ago, Thom added a trucking arm to the business. He needed someone to run the new division so instinctively turned to family and created a partnership with his sister's husband Jim.

The relationship didn't work. Thom removed Jim from the management of Thomson Shipping but to this day, Jim still owns 25% of the shares. The issue has never been resolved. Both Thom and Jim refuse to negotiate. They are both stuck in their respective positions.

Not surprisingly, what began as a business issue has spilled over into the family causing a rift that couldn't possibly get any wider. The two wives, who were once best friends, no longer speak. Thom and Sophie's adult children haven't had contact with their Uncle Jim and Aunt Beth for many years and the 3rd generation doesn't even know Jim and Beth exist.

Until this issue is resolved, a plan for transitioning to the next generation cannot move forward. It is critical that Thom and Jim first acknowledge their fears and then engage in a structured resolution process.

### The Seven Complexities

- 1 No clear definition between family and business
- 2 Family members can lose their personal identity
- 3 **Unresolved conflict**
- 4 No clear vision or direction - only dreams
- 5 Lack of trust or "we focus"
- 6 Lack of communication
- 7 Lack of clarity around responsibilities, roles and rights

# Changing Lanes

Transition planning for entrepreneurs and family businesses

## Managing Conflict

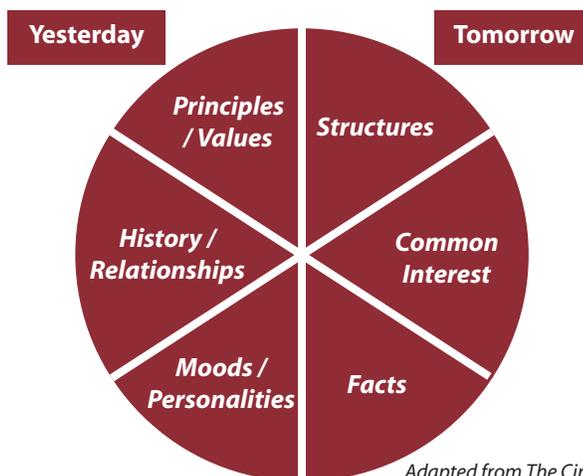
- Be aware of your fears
- Create positive conflict
- Develop prevention strategies
- Adopt an issue resolution process
- Engage a third party to resolve conflict

## Create Positive Conflict

With some education, leadership and a structured process, families can learn to address change with the confidence that resulting conflict can be managed. By being aware that conflict is inevitable, families can instead be proactive and take steps to promote *positive conflict*. Remember that with positive conflict, change can be regarded as an opportunity for even greater success.

So what exactly is **positive conflict**? It is about being **future-focused**. It is the conviction that even though people have different **principles** and **values**, **moods** and **personalities**, decisions can be made based on what is right for the future rather than influenced by baggage arising from **history** and **relationships**. In other words, trying to change what has already happened is futile and often digs the hole deeper.

The Positive Conflict Model



Adapted from *The Circle of Conflict* by CDR Associates

While it is important to acknowledge, and if necessary engage an expert to help accept *yesterday*, positive conflict and a way forward require a focus on *tomorrow*. This can only happen if there is a definite **common interest** or “we focus” and a **structure** in which open communication based on **facts** can occur. As family business consultants, we can help you become future-focused and work towards that common interest. ■

## Develop Prevention Strategies

As always, prevention is better than cure. Obviously it is not possible to plan for every situation but there are many things you can do to prevent conflict from gaining a foothold in the first place, or from escalating to dangerous levels.

- Develop policies for as many areas as possible so there is clarity around what is required and acceptable. For example, criteria for management or ownership in the business, clear expectations around roles and responsibilities, and a fair and equitable estate plan go a long way towards managing potential conflict.
- Set out communication and decision-making procedures to keep a focus on the common interest. Some learning as to what constitutes effective communication and a process for aiming for consensus have proven extremely beneficial for numerous business families.
- Build structures that provide a safe, non-emotional environment for ongoing education and regular discussions so that the differing objectives of each circle within the family business can be met. These structures are critical to both managing conflict and keeping people connected while at the same time promoting the overall professionalism of the business.
- Create a mentoring plan that includes goals and timeframes for prospective managers and successors to ensure continuity and strong leadership in all generations.
- Understand everyone’s natural conflict handling style to help recognize and address concerns that have the potential to go underground or explode. Ideally the issues can be identified early and managed appropriately. ■

## Conflict Handling Styles

- Do you tend to avoid conflict where possible?
- Do you end up giving in to others most of the time?
- Or maybe you are the opposite and fight hard to get what you want.
- Perhaps you naturally gravitate towards a compromise.
- Or are you one of the rare breed that instinctively collaborates with others to find a win-win?

Contact us to learn more about the five different conflict handling styles and how to identify which exist in your family business. You will find the information extremely valuable in developing conflict management strategies.

# Changing Lanes

Transition planning for entrepreneurs and family businesses

## Issue Resolution Process

Theoretically, conflict arises as we try to satisfy some psychological, often unconscious, *need*. Dr. Kenneth W. Thomas explains conflict as:

*The process which begins when we perceive that someone has negatively affected, or is about to negatively affect, something we care about. The more deeply we care about something the more intense the conflict.*

When faced with a situation that goes against our inherent principles, we instinctively adopt a *position* that frequently clashes with the *position* taken by another party.

In their book "Getting to Yes" Roger Fisher and William Ury explain that by concentrating on these *positions*, we tend to underscore our disagreements. However, if we instead focus on identifying or clarifying the underlying *needs*, we often find we have more in common with the warring party than was first believed. We are therefore much more likely to find a win-win solution.

Understanding the needs of the other person is a key step in any effective and collaborative issue resolution process. Consider the following steps that highlights the approach used in a large number of dispute resolution programs in the marketplace today.

### Step 1

When emotions run high, it is hard to separate the problem from the person. First agree to attack the issue rather than the person with whom you disagree.

### Step 2

In his book "Seven Habits of Highly Effective People", Steven Covey advises:

*Seek first to understand, then to be understood*

The goal is to go beyond each person's position to truly understand their *needs*. Learn how to engage in techniques such as active listening and mirroring to ensure the other person is confident that you really do understand what it is like to walk in their shoes. This ensures that all feelings are acknowledged. Only then can you both agree on the real issue.

### Step 3

The objective of this step is to brainstorm possible solutions that address the needs of both parties yet reconcile the differences to provide a win-win strategy.

### Step 4

Finally, compare and test the proposed solutions using criteria that does not force either party to yield to pressure. Adopt the option that delivers the highest mutual gain.

Recruiting a third party to assist with this process is certainly recommended. A qualified facilitator can ensure both parties feel empowered to speak their mind, feel listened to, and feel they have been an integral part of the solution.

However, the greater objective is to avoid getting to this issue resolution stage altogether. Take the steps now to *create positive conflict* and *develop appropriate prevention strategies* that will ultimately enhance your ability to implement a successful business transition. 

### Third Party Assistance

**For guidance in preventing or addressing conflict to manage change and further enhance your business success, simply give us a call. We will work with you to develop communication structures or direct you to appropriate external resources.**



Guiding Families and Business. Now to Next.

Tel: 212.579.2613

Additional Phone: 914.458.4290

Fax: 646.216.8979

info@NOWtoNEXT.com

www.NOWtoNEXT.com

Powered by

