INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH & DEVELOPMENT

ISSN 2278 – 0211 (Online)

The Role of Conflict Management in Strengthening the Family Business

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Abstract:
One of the disadvantages of the family business is due to the frequent differences in business and family interests that contain conflict. Conflict often occurs both with fellow family members, family members with non-family, family with business systems run or family business between one another. Conflict is often the trigger of family business rift that impact on business continuity. By knowing the source of conflicts that arise the company leader must take immediate action in resolving the conflict. To strengthen the family business needs to implement conflict management within the family business, because family business is a highly vulnerable business to conflict.

Keywords: *Family business, conflict, conflict management*

1. Introduction

Family business is a component of entrepreneurship development and an important aspect of economic development and economic transformation that offers jobs and creates wealth for families and other people working in the family business (Lucky et al., 2011). Family enterprises are generally difficult to change in the transformation, because the pioneer and founding father of family companies are generally very dominant. The implication, changes to the predecessor's legacy in the form of strategy, system, culture, and leadership style are generally difficult to do even considered taboo by future generations.

In the midst of high cohesiveness among family members in the management of family enterprises, in many cases conflict of interest among family members is very significant. A study conducted by Grant Thornton on 275 family firms in 2002, for example, shows that conflict resolution among family members is a problem that is considered the most important by the family company. The high conflict between families often leads to a high degree of corporate politics within the company that ultimately impacts the company's focus on strategy building, decision-making, resource allocation and so on.

The founder and owner of a family company may reject a succession plan for fear of losing control, loss of identity or loss of power, a successor lacking the loyalty expected by a family company leader and who is surely the founder of the company afraid to retire (Harveston, et al., 1997). The difficulty of succession in the family enterprise is not limited to Indonesia alone, in Lebanon it is reported that the family company that has succeeded is less than 40% (Fahed-Sreih and Djoundourian, 2006). In England, Westhead (2003) found out from his research, that only 41% of family leaders thought about the need for succession. However, in general, the leaders of the family companies have prepared a substitute for corporate leadership from their children. The usual step is to encourage and send their children to study in top universities, universities or business schools in developed countries such as the United States, Europe and Japan.

Forging this cognitive aspect in the hope of enhancing the understanding of management and business theory and philosophy. Young business family growers of this age are expected to know and understand the variety of management and business theories ranging from the classic to the most modern. With a high-quality, high-quality business school environment, parents expect their children to meet with many peers of the highest quality, so that their children can earn the right peer-to-peer discussion.

In addition, the founders of the family business, usually also trying to develop the psychomotor aspect or skill of the candidate successor. The prospective family business heir is often included in various business and management training both at home and abroad. The founders of the family business often advise the successors not to be lazy to attend seminars, workshops and discussions that explore various case studies on the success or failure of a company.

2. Toeri Basis

2.1. Definition of Family Company

According to Tjondrorahardja (2005) family business is a family owned company and that runs or operates a family company everyday is one of the family parties that have been selected based on certain criteria specified together in the family company. In a family company, members of a company usually know that the owner who is generally also the leader of the company has various privileges, such as the right to employ family members without going through the selection process, placing family members in certain positions and determining what information may be known to other members of the company Hartanto, 2009).

Family members who are placed in a mediocre position, do not need to feel jealous and envy, but should be grateful because at least born in a business-spirited family. The owner of the family company also realizes the position and the specific rights. Therefore, the owner and leader of the company usually defend the right. There are no written rules and formal contracts that define it, but the people who work for the family company feel psychosocial bound to accept the regulation of power.

A family company is an organization with a majority of 51% or more of ownership and is owned by one or more family members, where two or more family members are involved in the company's management activities, controlled and will be led by family members of the next generation. Successors and employees in the family company must be able to keep the company's defense to exist by planning the family company regeneration process (Dussault, 2008).

The family company is a business entity that has unique characteristics that are not owned by the company in general. Because of this unique characteristic, the management and transformation of family firms has a unique pattern. Family firms generally have a solid long-term vision, because of long-term ownership and long-term commitment. Family firms generally also have the flexibility and speed of decision-making is high, because the company is managed by managers who also become owners. The latter is the loyalty, closeness and love of key managers of family firms are generally so high, so the cohesiveness is also so high.

2.2. Family Business Concepts

Family members who occupy the position of owner and manager, more dominated by men. When business starts to be established, more do it alone than together. When you start a business with your family, it seems to be more with your spouse or sibling than with a distant relative. Almost all of the founders are the chief directors or operations-marketing managers. When the owner involves his wife in business, the wife's position in management is generally as a financial manager.

In maintaining the stability of the family business, there is always a role of leaders either directly or indirectly involved in the business. Leadership figures of the elderly or "elderly" are significant in maintaining stability and harmony in family relationships, especially when the formal systems and rules of the family business are still limited.

Businesses established within the last 5-10 years have a more open view of the presence of non-family roles to occupy management functions. Incompetent and appropriate family members for management should not be forced to engage. On the dimension of family business development, when family businesses successfully pass through the "entrepreneurial" stage, sooner or later their founders will feel the need for simple administration to support the further development of the business. Administrative needs are increasing as businesses become larger, people engaged in more jobs and family involvement expand.

Recording of activities, bookkeeping and work arrangements, adequate division of tasks and responsibilities will support further business development. The process of formalization that goes well, in addition to facilitate business activities as well as build the foundation of professionalism in the family business.

Arrangements to share responsibilities or tasks and a fair reward system are essential in the family business. Employees' rules and systems can create a professional working environment, both between family members and non-family workers. Formalities and professionals to be built should always be flexible, as family members usually have higher personal commitment and personal virtues that can be utilized to be of value to the family business.

Also found in the state of management and systems that are not sufficiently developed, where non-disclosure to non-professionals can lead to a family business not being innovative and developing. Therefore, for business sustainability in the future need to change the paradigm of family business about management, organization-system and professionalism (Gomulia, 2013).

2.1. Family Company Advantages

According to Susanto (2005) family companies generally have some advantages compared with other types of companies which are as follows:

a. *Independence of Action*
   There is no stock market pressure and small or no risk of corporate takeover. In addition, there are family-owned financial benefits that are not shared with shareholders or other companies. The decision-making process in finance is even faster.
b. *Knowledge of Business and Entrepreneurship*
   In terms of family corporate culture is a pride that shows the existence of stability, identification, motivation and strong commitment and continuity in leadership. Family firms that are able to survive and have a good knowledge of business certainly have an extraordinary entrepreneurial spirit.
c. *Business Development*
   There is a strong desire to reinvest profits according to mutual agreement to develop the company.
d. *Business Knowledge*
   Judging from her business knowledge family members have been getting from practice early on from the family about managing the company.
e. *Corporate Governance*
   Bureaucracy is small and flexible by putting forward corporate governance and accountability system and clear the system of responsibility.

f. *Long-Term Perspective*
   The average family business wants to be a long-term business. If this family company has gone public, investors who buy shares of family companies also hope for the long term (Handayani, 2012).
g. *Flexibility and Easiness in Financing the Business*
   A reputable family company because the owner has a good track record, thus supporting third party funding sources, both from formal and informal institutions. This factor is increasingly becoming a competitive advantage if the company has reached the medium size company category.
   The number of family members involved in the company, the way the company will be more smoothly. More effective communication and personnel costs can be reduced. Companies do not need to pay a large salary, because they do not need to pay professionals from outside family members. For these reasons, many small entrepreneurs are constantly seeking to keep family members in the company.

In addition, small businesses also have strategic value for the economic development of our country, among others as follows:

a. The number of certain products that are done by small companies. Large and medium-sized companies have a lot of dependence on small companies, because if only large and medium-sized companies do, the margin becomes uneconomical.
b. It is the equal distribution of the economic forces in society.

3. Conflict Within the Family Company

Some obstacles in strengthening its position in the business sector of the actual problems facing the company in developing the family company in general are as follows:

a. *Confusing Organization*
   Family firms are a confusing organization. How big is the influence of the wife/husband sitting in the organization, not a problem, but if the wife / husband sits outside the organization but also organize, there will be a confusing organization. The family dominates the company with family reasons over business logic, an unfair reward system and the difficulty of attracting professional management.
b. *Spoiled Child Syndrome*
   There is a spoiled child syndrome in the company or tolerance to incompetent family members, such as a favorite grandchild or associated with a crown prince or princess as a possible substitute. Family disputes flooded the company. As a result, there is awkwardness from professional management about their role because of the strong family ties.
c. *Milking the Business*
   One thing to underline is the possibility of milking the business, which is a very influential family member in the company siphon revenue from the business for other purposes or personal. Other financial issues that constitute a loss as a family enterprise are limited access to capital markets, an imbalance between contribution and compensation.
   According to John L. Ward other disadvantages of business with family members such as potential conflicts arise, the emergence of disappointment when personal goals are not achieved e.g. was not selected to be a successor, too many financial problems, loss of privacy as a result of publicity in the community and vulnerable to criticism from outside the family. Zimmerer et al. (2008) the main cause of the inability to survive a family enterprise is insufficient property planning, failure to make a management succession plan and a lack of funds to pay property taxes. In addition, rivalry between siblings, disagreements about who is in control of the company and personal conflicts often lead to a fierce fight that can separate families and destroy previously powerful corporations.

4. Family Company Conflict Solutions

Several studies of family firms have recorded a very significant role of the family enterprise over the economic growth of a State. Family firms have contributed enormously to economic activity. In contrast to non-family companies experiencing tidal growth, family firms actually show stable and tending performance. Family participation in the company can strengthen the company because usually family members are very loyal and dedicated to the family owned company. Some competitiveness in family members/inherently owned by a family company, allows for one step ahead of an ordinary company/public.

Nevertheless, behind these advantages there are inherent weaknesses that often hinder management and transformation and cause problems in managing family companies. In order to avoid conflicts and become more difficult to control, conflict management is required. According to Hendricks (2004) effective conflict management is said to be successful, if able to develop and implement a strategy of conflict with caution. Conflict management in succession planning is done by the leader by first giving freedom and trust to the conflicting parties to solve their own problems.

Some solutions for resolving Family Enterprise Conflict are:

a. *Creation of a Conducive Business Climate*
   The government should seek to create a conducive climate, among others, by striving for peace and security of business as well as simplification of business licensing procedures, tax relief and so forth.
b. *Capital Assistance*
   The government needs to extend a special credit scheme on conditions that are not burdensome for SMEs, to help increase its capital, whether through the formal financial services sector, the informal financial services sector, guarantee schemes, leasing and venture capital funds.

c. *Business Protection*
Certain types of businesses, especially those of traditional businesses that are economically weak, must be protected by the government, either through laws or government regulations that lead to a win-win solution.
d. *Partnership Development*
It is necessary to develop partnerships that help each other between SMEs, or between SMEs with large entrepreneurs at home and abroad, to avoid monopoly in business. In addition, to expand market share and business management more efficiently. Thus, SMEs will have the strength in competing with other business actors, both from within and outside the country.
e. *Training*
The government needs to improve the training for SMEs in the aspects of entrepreneurship, management, administration and knowledge and skills in the development of its business. In addition, it should also be given the opportunity to apply field training results to practice theory through the development of a pilot partnership.
f. *Establish a Special Institution*
It is necessary to build an institution that is specifically responsible for coordinating all activities related to the effort of growing SMEs and also serves to find solutions in order to overcome the problems both internal and external faced by SMEs.
g. *Strengthening the Association*
The existing associations need to be strengthened, to enhance their role, among others, in the development of a business information network much needed for business development for their members.
h. *Developing Promotions*
In order to accelerate the partnership process between SMEs and big business, special media is needed in an effort to promote the products produced. In addition, there should also be a talk show between the association with business partners.
i. *Developing Equal Cooperation*
There needs to be a co-ordination between the government and the business community (SME) to inventory the latest issues related to business development.
j. *Developing Facilities and Infrastructure*
It is necessary to allocate a place of business for SMEs in strategic places so that it can add the developing potential for the SMEs.
k. *Company System Development Strategy*
Individual approaches should be minimized and stronger to the system, each process of stages and proportions allocated to the job to optimize the value and operational stages of measured processes. The most important thing in the process of system development is to tidy up a process and ensure the actions of individuals are justified by the system so as not to cause problems in the development of its continuation.
One of the problems that often arise in family companies is the aspect of family closeness and the proximity of personnel that causes a favored or unfavorable level in the operational process of work carried out in the field. It is often of interest that if individuals who fall into the scope of favor are not able to improve the performance of the job, without a standard system it will be very difficult to direct or optimize work orientation.
l. *Development of Performance Management System*
In addition to the role of the system, the role of HR work units also greatly affects the operational process of performance management in the company. One of the interesting things to note, is to establish the optimization of the authorization function of the HRD work unit itself which must be ensured to encourage the operational development of the company. What is the most important feature of HRD's performance function within the company, one of the important aspects is to stimulate the stimulus factor from the development of the performance carried out in the field. Where HRD should ensure that the systems and operations of the work mechanism are carried out in accordance with the standards and are in the right proportion with the policy.
m. *Conducting Professional Education Process*
Provide a proper understanding of professionalism in an organizational environment, one of which is to ensure that the aspect of professionalism is done and positioned accordingly in operational management within the company. Leadership and Management Trainee development can accelerate the development of professionalism within the company itself. Incorporating personnel with strong professionalism and high competency aspects can optimize performance value, but it needs a process to harmonize with the company's old culture. So, the established program must be ensured to ensure that the company's results and objectives are achieved in the form of a strong performance synergy.
To develop and manage modern concepts in family firms, it helps the company use the services of a management consultant to optimize its implementation? Why is that? The first is to minimize the potential for conflicts arising from the existence of certain individual interests in the process of drafting the system that can even lead to hampered performance of the company. The second is to provide references and benchmarking appropriate as a guide in developing and implementing family companies in accordance with standards established in the company. To select the right management consultant to accommodate the development of a family company, you should look for a consultant who has a strong background in education and has experience in managing family company clients.

5. Conclusion

Some competitiveness in family members owned by family firms, allows for a step ahead of public companies. Behind these advantages there are inherent weaknesses that often hamper their management and transformation and cause problems in managing family enterprises. In order to avoid conflicts and become more difficult to control, conflict management is required.

In order for corporate conflicts in the management, the Leader should seek to identify issues that cause conflicts, know the impact of conflict for companies and employees, then seek common ground to resolve conflicts, find solutions and apply those solutions.

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