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Conflict can actually be an asset to companies when it's effectively managed and properly resolved. This is according to study findings from EY and Kennesaw State University (KSU) compiled in a new report, *Can embracing conflict spur positive change?*

The study collected data from 25 of the world's largest family businesses in each of 21 top global markets, which average \$3.48 billion in sales and 12,000 employees.

It examines how family businesses can identify, manage and grow from conflicts that emerge in their operations and from other sources. Given family businesses represent 80-90 percent of all enterprises in North America and nearly 80 percent of new job creation in the U.S., many stand to benefit from embracing conflict.

“Especially as we come off the Labor Day holiday, celebrating the well-being of the

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Communication is key to reducing conflict

According to the study, nearly half of family businesses report some level of conflict, but higher family cohesion leads to less family conflict. The study outlines five activities that limit unhealthy conflict:

1. **Engaging in frequent communication.** The survey finds that 90 percent of respondents have regular family or shareholder meetings to discuss the business issues and 64 percent have regular family council meetings.
2. **Unifying emotional attachments through Corporate Responsibility (CR) efforts.** Family businesses that place a high importance on CR report lower incidence of conflict. CR supported by all family members creates a shared view of the family's legacy, promoting pride and unity.
3. **Setting expectations.** Expectations might vary across various business operations such as terms of employment, salaries and shareholder status. Emotions can run high during these conversations and lead to conflict, so setting expectations early is a good practice.
4. **Building a sense of purpose and mission.** Family members must be willing to sacrifice short-term gain for long-term success. By setting goals together, family members are more likely to put aside differences for the sake of the business and family.
5. **Creating formal mechanisms for recognizing and resolving conflict.** Appointing family members or creating a family council to identify and handle potential conflicts can help defuse volatile situations.

Joe Astrachan, PhD, professor of management and entrepreneurship at Kennesaw State University, said:

“For family businesses facing conflicts without an easy solution, having a formal

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strategies, and process conflicts, which refer to process management, are generally healthy and can earn positive results if there is no relational conflict. Relational conflict refers to negative feelings such as jealousy and anger, which can destroy a family business if left unchecked.

“Paramount to the family business is the family,” says Carrie Hall, EY Americas Family Business Leader. “While conflict can spur innovation, growth and positive change, it can also become detrimental to the organization. In family businesses, conflict can spread past the family to negatively impact employees, the corporation’s image and even the market. By handling conflict appropriately, encouraging family cohesion and communication and inviting healthy conflict, family businesses can rise above issues and continue to thrive.”

To view the full report, please visit ey.com/conflict. View more carve-out reports from the survey at ey.com/us/familybusiness.

Small Business

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