# **Confilcts in Family Businesses:**

An Investigation of Conflicts and the Role of Digitalization

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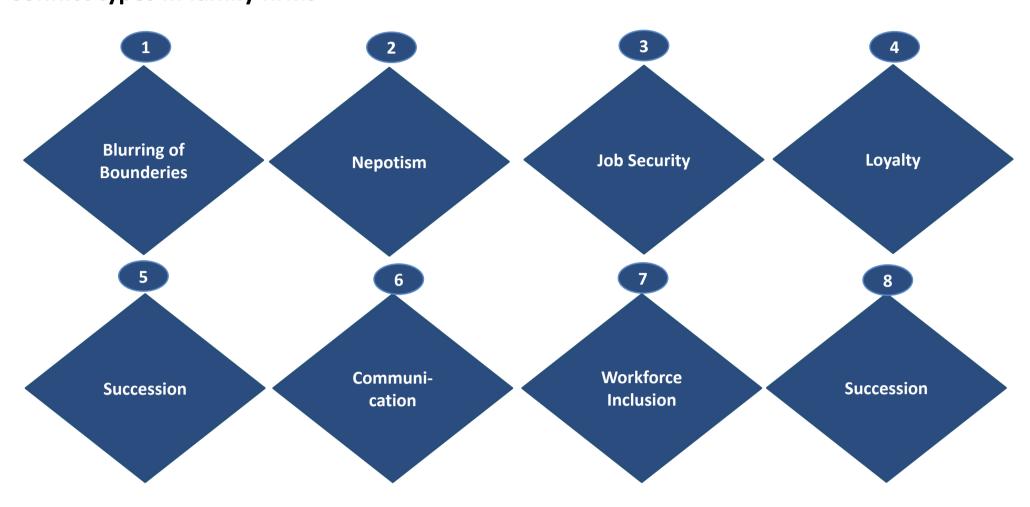
#### Introduction

#### **Definition of a conflict**

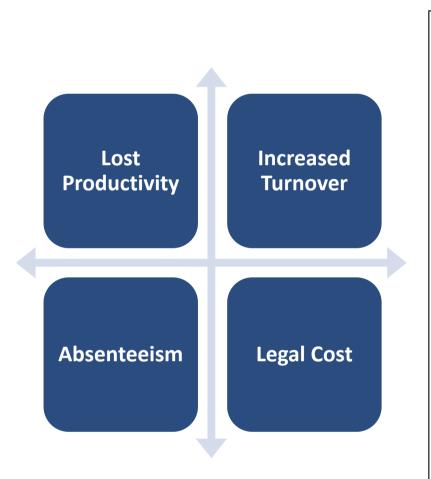
"A process that begins when an individual or group perceives differences and opposition between itself and another individual or group about interests, beliefs, or values that matter to them"

(Dreu & Weingart, 2003)

#### **Conflict types in family firms**



#### What indirect and direct costs do conflicts have on firms?



#### Facts & Figures (UK): Austria factor of 10

- An average of **485,800** employees resign each year due to conflict, costing **£14.9** billion annually, including £2.6 billion in recruitment and £12.2 billion in lost output as new employees get up to speed (Acas, 2021).
- **874,000 employees take sickness absence due to conflict**, costing £2.2 billion annually (Acas, 2021).
- Presenteeism related to stress, anxiety, and/or depression has an estimated annual cost between £590 million and £2.3 billion (Acas, 2021).
- Time Spent on Conflict Management: In some organizations, one in ten respondents report spending six hours or more per week dealing with conflict. Additionally, 51% of HR workers spend between one and five hours weekly managing disagreements (CPP Inc., 2008).
- Turnover and Culture: Companies with a healthy corporate culture report, on average, a turnover rate of just 13.9 percent compared to 48.4 percent at companies with a poor culture (Columbia University, 2012).

# **Definition of "digital solutions"**

Digital solutions refer to technological tools, platforms, and systems designed to improve business processes, enhance communication, and solve specific organizational challenges by leveraging digital technologies.

## Digitalization and digital impact in family firms



- Approximately 46% of firms across Europe, including Austria, increased their digital investments as a response to COVID-19.
- Generally family firms are recognized for their significant uptake of digitalization during the pandemic
- Commonly implemented digital tools in family firms include communication platforms (e.g., Slack, Microsoft Teams), project management software (e.g., Trello, Asana), and digital payment solutions. These tools help streamline operations, improve remote collaboration, and increase transparency
- Despite this, only 37% of family firms feel fully prepared for the digital economy, reflecting a challenge in finding the right digital solutions and overcoming internal resistance, especially from older generations (Mastercard

(Source: Statistik Austria)

# **Research Gap**

- 1. While digital tools are widely recognized for improving efficiency and communication, the specific impact of these tools on conflict dynamics in family firms has not been studied extensively. There is limited empirical evidence on whether digital platforms resolve or exacerbate conflicts related to family roles, power dynamics, or decision-making.
- There is little investigation into how family dynamics, which often include emotional ties, hierarchy, and tradition, interact with the introduction of digital solutions. The question remains whether digital tools intensify existing family power struggles or help create more neutral ground for decision-making and communication.
- 3. Generational conflicts in family businesses are well-documented, but the role of digital competency gaps between younger and older generations in driving these conflicts has not been adequately explored. The adoption of digital solutions could create tension if older family members are resistant to change or struggle to adapt.
- 4. The rise of remote work and virtual collaboration during the pandemic has introduced new forms of digital engagement. However, there is minimal research on how remote work tools (e.g., Zoom, Teams) have affected conflicts in family firms, where personal and professional boundaries are often blurred.
- 5. Although digital mediation tools and conflict resolution platforms exist, their use in family business conflict resolution has not been widely studied. It remains unclear whether these tools provide effective mechanisms for resolving disputes within the unique context of family firms.

#### **Research Question**

How does the adoption of digital solutions influence conflicts in family businesses?

#### Other relevant questions for the empirical part

What kind of conflicts have family businesses experienced?

E.g. succession-, interpersonal-, generational conflict

To what extent do conflicts have an impact on the day-to-day business of a family firm?

How have family firms dealt with conflicts?

Since the upcoming of digital tools and home office have conflicts increased or decreased? To what extent?

Have family firms used technology to solve conflicts?

What are the unique challenges that family businesses face in managing conflicts when adopting digital tools and remote work?

## **Theoretical Foundation**



## **System Theory**

**Holistic Perspective:** Systems Theory views the family business as an interconnected system, allowing for a comprehensive analysis of how conflicts arise from interactions between family and business dynamics.

**Interconnectedness:** It captures the overlap of family roles and business operations, offering insights into how these intertwined relationships influence conflicts.

**Adaptation to Change:** Systems Theory is ideal for understanding how family businesses adapt to digitization and manage the resulting conflicts, considering the system-wide effects.

**Comprehensive Conflict Management:** It provides a broad framework for managing various types of conflicts and understanding their interconnections within the family business system.

## Aim of the work



## Identifying the underlying causes of conflicts

This will involve conducting a thorough analysis to pinpoint the factors that lead to conflicts among employees Understanding these causes is crucial for developing targeted intervention strategies.



## Developing a comprehensive theoretical framework

System theory encompasses the complexity of family businesses, the interconnectedness of various subsystems (family, business, employees), and the significant changes brought by digitalization.



## Investigating the impact of digitalization in conflict management

This objective involves exploring what positive and negative effects digitalization/AI has on conflicts within the workforce and if it might be utilized to analyze, predict, and resolve conflicts



## Generating practical guidelines for conflict management

This objective involves exploring what positive and negative effects digitalization/AI has on conflicts within the workforce and if it might be utilized to analyze, predict, and resolve conflicts

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