

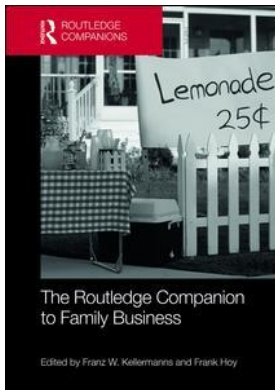
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CONFLICT IN FAMILY BUSINESS IN THE LIGHT OF SYSTEMS THEORY

Arist von Schlippe and Hermann Frank

Family Businesses – A “Fertile Environment” for Conflicts

Family businesses are seen as a form of company that, compared to non-family businesses, can enjoy special competitive advantages through the interplay of family and business on the one hand (Hoffmann, Hoelscher, and Sorenson 2006), but on the other hand is characterized by increased complexity (von Schlippe and Frank 2013; Tagiuri and Davis 1996) and a multitude of vulnerabilities. Constant disputes and disagreement about how the family is positioned vis-à-vis the business can be a burden on the firm, make its strategic orientation difficult and might even result in the company’s demise as a family business (Grossmann and von Schlippe 2015). According to Hennerkes (2004: 58), disputes are the “greatest destroyers of value” in family businesses.

From the point of view of new systems theory, conflicts are based on communication, in fact, they are communication. Communicated contradictions can lead to internal dynamics taking on a life of their own (Luhmann 1995). How this can develop in family businesses due to their specific characteristics will be discussed in this article. The special connection between family and business entails that family businesses are in a way “a fertile environment for conflict” (Harvey and Evans 1994; von Schlippe 2014). Conflicts, of course, are by no means only negative in nature. “Cognitive conflicts,” for instance, involve “tasks” (*what* is there to do?). These, and also “process conflicts” (*how* is it to be done?) can further creativity and innovation, which clearly implies positive effects (McKee et al. 2014). These types are called “functional conflicts” (though whether a conflict is functional or dysfunctional, according to systems theory, depends on the observer’s perspective (Lehnert 2006).

Thus conflicts can contribute to a company finding new answers to the challenges of increasing environmental complexity. Therefore, not all types of conflict necessarily have a negative effect on performance (Eddleston, Otondo, and Kellermanns 2008; Frank et al. 2011). When the communicated contradiction is eventually replaced by communicated consensus, the mutual struggle for the best solution can be beneficial not just for the company. In many cases the people involved will also profit. For example, a person can experience growth by dealing with a tricky conflict situation constructively, negotiating compromises and finding solutions nobody had thought of before. And an organization, a family, a group can, in the wake of successfully tackled disagreements about decisions, develop a culture of solving conflicts that enable it to

perform extraordinary feats und strengthens cohesion (Kellermanns and von Schlippe 2012; McKee et al. 2014).

Yet in every conflict, and thus also in family businesses, there is also the other option, i.e. the possibility of a dispute about “tasks” and “processes” taking on a life of its own and creating an emotional arena that spins out of control, so that the conflict keeps escalating (Glasl 2008; 2011). Then, relationship conflicts might come up that not only harm performance (e.g. Nosé et al. 2015) but also grow to an extent that they destroy individual relationships, whole groups, and even organizations (see McKee et al. 2014 for a comprehensive and recent overview of works on conflict in family businesses as well as its management and outcomes). Especially in the case of family conflicts, the effects can be dramatic. The map of Europe, for instance, reflects the “solutions” of such conflict situations from past centuries, in fact, the results of more or less successful succession agreements, frequently accompanied by great suffering and a massive death toll. Charlemagne’s empire, for instance, fell apart more than 1,000 years ago at the hands of his grandchildren and a series of succession decisions, partly involving wars, resulted in the territory’s partition. The borders running through Europe today are solidified testimony of conflicts that can be traced back to that time (Riché 1991: 201).

Conflicts in families, particularly involving inheritance, can have extreme effects. The actors’ experiences, the sometimes enormous wealth involved, and the mechanisms of conflict dynamics can turn into an explosive mix. In most cases, the dynamics gain additional momentum as other persons and interests join in, which further increases social complexity and the conflict escalates even more, by for instance interrupting the contact between the parties to the conflict (e.g. through lawyers): one sticks with one’s kind and in discussions with such third parties, mostly advisers, self-contained “realities” emerge, mutual interpretation patterns of the other side’s activities, the reaction to which then escalates right up to a family war (Gordon and Nicholson 2008; Simon 2012a). Thus, it can be said that, as regards conflicts, family businesses are rarely “middle of the road.” Either the parties manage to constructively settle their differences and disagreements or the conflict will be particularly intense and severe. After all, one possibility of conflict resolution, that in most cases, is chosen in other organizations when reaching a dead end, dismissal or resignation, is not equally available in business families: you cannot simply cancel family membership, you cannot simply leave. The working relationship can be dissolved, but shortly thereafter people will meet again at the general meeting and the conflict is perpetuated.

As there are already solid research results on the effects of various types of conflict in family businesses (for an overview see McKee et al. 2014), the following sections will look at the question which conditions there are for family businesses relating to conflict *dynamics* in relationship conflicts from a systems-theoretical perspective. So far, these aspects have not been sufficiently researched in detail. In our opinion, new systems theory (Luhmann 1995; 2000; related to family businesses, von Schlippe and Frank 2013) is particularly suitable to address the complexity of family businesses. The starting point of the analysis is hence a systems-theoretical sketch of the specific complexity of this type of business (Chapter 3), resulting from the interplay of two different systems (family and business). These often operate based on mutually exclusive rules and from these contradictory behavioural expectations paradoxes (Litz 2012) can develop (Chapter 4). Families—and hence also family businesses—are also a field of “disinhibited communication” (Luhmann 1995), which provides a multitude of options for conflicts (Chapter 5). These include e.g. psychological contracts, social comparison processes, and transgenerational stories. In combination with factors that exacerbate conflicts (Chapter 6), conflict dynamics can come into existence that cannot easily be avoided. One systems-theoretical prerequisite is that

they are communicated, as not communicated intra-psychic conflict perceptions and emotions will not have any social consequences. The final item will be starting points for interrupting the conflict dynamics, without attributing causes to individual persons or groups (Chapter 7). First, though, systems theory will be presented briefly as a first step (Chapter 2).

The Theory of Social Systems as a Framework for Understanding Family Businesses

Usually, following the theory of open systems, systems are understood in a way that they “consist of individuals” (Pieper and Klein 2007: 302). Luhmann, however, proposes a radical change in defining the elements of systems and suggests rethinking the concept of system. He assumes that “social systems in general and organizations, in particular, do not consist of fixed particles (let alone ‘individuals’) but of *events* which disappear as they occur” (2000: 152, translated by the authors). He applies the concept of autopoiesis (Maturana and Varela 1980) to social systems. The founders of this originally biological theory had stated that autopoietic (“self-creating”) systems are self-organizing, operate autonomously and operationally closed: a cell is a system not due to its parts, or to external structuring influences but only in the way which the network of the parts reproduces itself and thus generates the cell (in contrast to an allopoietic system such as thermostats etc., which cannot exist without external input and governance). By conceptualizing communication as an autopoietic system Luhmann sees the basic elements of social systems as *communicative acts*, which continuously recreate themselves in a self-organizing process (he calls this “temporalization of elements”). Thus, a social system does not consist of human beings but of communications that are related to each other in a meaningful way; the system lies in the rules of the game, not in the pawns.

Communication continuously has to find out about how to connect one communication to the next: families process communication in a totally different way than organizations. Families process mainly “*attachment communication*,” organizations rather “*decision communication*” (von Schlippe and Frank 2013). That means that the expectation of how a communicative act fits the next is totally different in a family and a business. But, in family businesses, the different logics of the systems that are involved are simultaneously present (usually three systems are differentiated: family, business, owners; see more about the “three-circle-model” later in this text). So the expectation of how a communication might be understood can easily be disappointed (e.g., father decides not to take daughter into the company, mother sees this as a sign of disapproval and neglect). Business family members never know exactly in which communication logic they are communicating at a certain point in time, because clear “context-markers” (Bateson 1972: 290) are missing: these markers usually clear up which context a person is in and which logic of communication will be active, e.g., by entering a school a teacher knows which context he/she is in from now on, which “person” he/she “is,” which set of expectations has to be met by him/her. When coming home he/she intuitively “becomes another person” as the front door of the home shows clearly; you are no more a teacher but now a father/mother and/or husband/wife. But what if the home does not indicate clearly, which communication logic is active right now? What if even a board meeting doesn’t prevent family communication to “break in” (see example below)? In family businesses contexts may be blurred (and so might be the context markers): it might not always be clear in which communication system you act at a particular moment (within seconds it may shift from “By the way, did you check out the options for this opportunity, as we decided yesterday?” to “Clean my glasses, honey!” – so the incident in a board meeting reported by a daughter, successor and CEO of the firm, the two sentences came one

directly after another from her father who was head of the board). A communication within the context of “family” might be understood within the context of “business” – and if the persons are not aware of the difference, communicative patterns may arise which can be described as paradox or “skew”; the expectations from the family and the expectations from the business collide and bring about a certain kind of “double-bind” (Litz 2012). Instead of studying roles it may thus be interesting to study the competing system logics that govern the communication and create diffusion.

Dramatic misunderstandings can occur at these points. Since social systems consisting of communications are “invisible” and the context markers often become blurred in family businesses, logical breakdowns may occur in the various communicative connections, depending on which system logic is operating and according to which expectation structures’ meaning is generated.

Communicative logics may be “mixed” when one communication is rooted within the expectation structures of the family (attachment-oriented) and the other communication in the expectation structures of the business (decision-oriented; see more details in the following chapters). Many observations of conflict-ridden events in family businesses might be explained by the fact that differing functional logics lead to a kind of “operative displacement” of communicative acts (Fuchs 1993), and then “sloping connections” (von Schlippe 2014) occur: communicative acts connect to each other within different logics, but as the communication is not aware of this “displacement,” the attributional processes easily focus on “the other person” who is to be blamed. The problem is that the expectations that are implied within the system logic often create a kind of self-evidence that does not leave any question or even doubt that the communication could connect differently. If the other person behaves in a way that does not fit one’s own logic, obviously he or she is “ill, bad, wicked.” It is this kind of allegation of motives (“Motivunterstellung”) that brings the conflict cycle into motion.

An impressive example: the massive conflict between founder and son became transparent when they found out that the father’s offer (“I’d like to hand over our hotel to you, son!”) had stood in the context of attachment communication, whereas the answer came in the context of decision communication. The son, then, had come up with a business plan with strategic options etc., while the father had reacted extremely angrily to the “ingratitude” of the son, who felt on his part again massively hurt by the outburst of fury of his father as he was convinced to have done “everything right.” In fact, both were “right.” The conflict had to do with conflicting logics, not with conflicting persons. But their attributions finally brought out the conflict.

A Special Kind of Complexity

In order to answer the question what makes particularly conflicts in family businesses so special, it is helpful to reconstruct this special type of organizations from a systems-theoretical perspective. When considering the importance of conflicts in family businesses, it is surprising how little we know about the dynamics in detail. Frank et al. (2011) in their literature review point out that we have much too little insight into the intricacies of their development and the progression of these conflicts and underline that it will take a considerable number of qualitative studies to rectify this shortcoming.

Many conflicts in family businesses can be attributed to the actors not being aware of the special complexity of their situation and the internal dynamics of conflicts, and so they simplify and ascribe things to persons in order to explain the situation. Yet the dynamics of social

systems cannot be reduced to the properties of psychic and biological systems; a social system is something different than the sum of the experiences and behaviors of its participants. If this complexity now is explained by tying matters to persons, this can lead to dangerous simplifications. Allegations of motives (“You’re only doing this because ... !”) or ascribing the causes of conflicts to individuals (“All your fault!”), though psychologically understandable, still directly propagate the conflict dynamics. They do offer the parties to the conflict a clear and simplified orientation for their actions, but at the same time greatly contribute to escalation (as naturally there is no consensus about who is now finally to blame for the conflict). This is the central proposition of our article: escalating conflicts in family businesses are related to the fact that actors do not sufficiently realize the systemic complexity of the relationships in the system and react to this by simplistically ascribing the causes of a conflict to individuals. This idea is presented in more detail below.

Family businesses have been described as particularly complex systems for a long time. The so-called “three-circle model” states that the actors are overwhelmed by the complexity of the three “circles” of family, business and ownership. Often it is – inaccurately – assumed that these three systems “overlap,” that the roles the members play in these systems are blurred, and that there are “overlapping goals,” with the result that stakeholder conflicts are more severe (Tagiuri and Davis 1996). But a social system is a third type of entity, detached from experience and perception of the individual persons, and this does not become clear in such “set-theoretical sketches” (Fuchs 1993). What exactly “overlapping” means and how exactly it relates to conflicts is not discussed any further. Von Schlippe und Frank (2013) show that although the three-circle model can be pragmatically suitable to superficially illustrate the complexity of the three systems’ connections, the systems theory underlying the model has not been developed properly: What exactly is it that “overlaps,” What does it mean to “be” in one of the three circles? Are persons moved about like “pawns”? And how exactly are the “overlaps” related to conflicts? There are doubtless a number of studies describing the particular frequency and intensity of conflicts in business families, typologizing the various forms of conflicts, listing their functions, and analyzing conflict resolution strategies (excellently reviewed in McKee et al. 2014). But the three-circle model does not provide any compelling theory how the specific conflict dynamics in family businesses arise.

In social systems theory, the three “circles” are seen as structurally coupled social systems that each operates on the basis of different logics (von Schlippe and Frank 2013). The resulting complexity can arise, amongst other things, because a multitude of conflicting expectations from the different logics of the respective systems (Lehnert 2006; Luhmann 1995) can be involved in a conflict, as each system implies a bundle of expectations. If in a particular case it is unclear which logic is currently active, it also remains unclear which behaviour expectations are adequate for a particular given situation and there are no orientation markers for communication.

In family businesses, complexity can increase quickly also for another reason. This is due to the strong emotional concern people experience and communicate with the respective topics: it is not just one’s professional identity that is at risk, but that of the whole family or branch of the family; not just one person is affected, but always a whole network. It is all about central things in life, one’s life’s work, experiencing (in-)justice or deeply felt injustice, recognition or non-recognition of loyalty, fulfilled or unfulfilled existential expectations, questions of love and affection, and much more. This collective affectivity results in faster communicative processes with a greater intensity and also in persons that are not directly involved in the conflict quickly being drawn into it. Emotional involvement is at first an “inner-state” of a person, that is, an event that only takes place in the psychic system or the body (e.g. faster breathing). Feelings and

emotions cannot be directly observed; they can only be deduced indirectly from behavior. An emotion becomes relevant for a conflict only when it is addressed by the person involved or an observer: only communicating emotions enables their relevance for the system.

It is, as already mentioned, very tempting in confrontational situations to react to complexity by using simple ways of complexity reduction. The greatest danger is to ascribe the causes of the conflict to individual persons: “It’s all your fault!”; “If you would only let go, then ... !”; “If you turned out to be reliable and competent, then I could ... !” Many conflicts arise from such attempts to reduce complexity quickly to simple patterns: “We face a paradox here: each simplification increases complexity [...] The simple is not the opposite of the complex, but a moment of coping with complexity that contributes to increased complexity” (Baecker 1999: 28, translation by the authors). To react to complexity with oversimplification is a moment of creating conflict and its chronification. Many problematic decision hubs are, over time, attributed personally: “How can she do that!,” “Now he’s showing his real face!” The person so addressed, however, is not going to agree with that assessment. He or she is going to react with a counter-simplification (“No, no, on the contrary, it is you!”) and so conflict intensity can increase fast following the exchange of communicated contradictions. As early as 1958, Ashby (1991) pointed out that complexity should be countered with complexity (“law of requisite variety”) if the aim is to avoid the paradox of increasing complexity by means of too much simplification.

Family Businesses – An “Impossible” Type of Business

Paradox, because in this type of company various social systems couple structurally which as communication systems are based on incompatible communication logics (Simon, Wimmer, and Groth 2005; Simon 2012b), i.e. because the system “family business” is a contradiction in itself. The logics of family, business, and ownership, for instance, are in many ways contradictory: family as a system relying on ties differs completely in its logic from a business, which is orientated towards functions and decisions.

- The function of communication in a family is often redundant and more directed towards a mutual confirmation of relationships.
- The logic of communication in a business is directly or indirectly geared towards decisions (Luhmann 2000).
- The specific communication that establishes the owner’s system, is usually governed, formalized, and even ritualized.

So it might be important to differentiate between the functions of communication within the different systems: A kiss or a gesture indicating a family relationship do not add any “new information” to the family system, but serve as a confirmation of the relationship and a signal of belonging. In companies, such forms of shaping relationships are rather inappropriate, as only communication relevant for decision-making is deemed to be organizational communication. Thus, the statement: “I have a headache!,” which in the family would prompt a considerate response, would in a company rather lead to the question: “That’s a shame. Well, are you able to work or do you have to take the day off sick?” In an ownership assembly, the question again would be different: “Poor guy, but, let’s see, if you can’t attend the meeting, could you name a representative for you who could speak in your voice when it comes to decisions about the payout of dividends?” The major differences of the logics of these systems are shown in Table 18.1.

Conflict in Family Business in the Light of Systems Theory

Table 18.1 Differences Between the Logics (Translation by Authors)

Type ⇒	System “Family”	System “Business”	System “Shareholders”
Theme ↓			
Membership logic	Closely related persons of all ages	Usually not related persons that fulfil specific qualification demands	In family businesses: relatives (close or distantly related)
Access and exit: How to enter and leave?	Access by birth, marriage, adoption. Exit in principle not possible.	Access by getting the job, entering the company. Exit possible at any time, depending on the contract.	Access by getting/ inheriting property. Exit by sale.
Centre of communication	Confirmation of bonding and attachment (logic of inclusion)	Company decisions (logic of selectivity)	Ownership decisions (logics of law)
Communication paths	Less formal, oral, less hierarchized	Formal, written, hierarchized	Formal, written, protocols
Making decisions	Many chances for negotiation, agreement as goal, seniority or consensus	Little room for negotiation, hierarchical, clarity of decision as goal	Rather hierarchical, majority votes
What/who is important? “Currency” that is exchanged	The single person (not exchangeable) Love, attachment, loyalty	Function, competence (person is exchangeable) Work/effort, career, power	Amount of shares, function Shares, authority qua competence, seniority etc.
Adequate compensation	Recognition, appreciation, gratitude; long-term (possibly decades)	Salary, short-term (by end of month), appreciation important, but not enforceable	Regular dividend; appreciation value
Logic of justice	Equality: Everybody gets the same (or what he/she needs)	Inequality: Position and salary according to effort, competence	(a) Equal in information (b) Not equal in voice: according to shares

Source: von Schlippe 2014, 32–33

The form of paradox can be illustrated as follows:

- In family businesses, we find system logics and expectation structures that contradict each other.
- The expectation resulting from the bonding logic can be termed: “We are a family!” It follows the logic of inclusion: we are making sure that the ties between the members are maintained and that no one is excluded etc.
- This is in contrast to the expectation from the decision logic: “We are a circle of shareholders, in other words: an organization!” This is implied by the logic of selectivity: we are making sure the company has a competent circle of owners, that always the best person is selected, that decision-making is possible etc.

- At the same time, there is the tertiary rule: “Don’t leave the playing field!”
- All this constitutes the formal prerequisites for a paradox double bind (Bateson 1972; Litz 2012).

The logics, which are present simultaneously, are not compatible. As you cannot not act (Watzlawick, Beavin, and Jackson 1969), one communication necessarily follows another. This can lead to communicative situations that can be called paradoxical. A series of such paradox dynamics in family businesses has been described in the literature. These cannot be presented here in detail (see Simon et al. 2005; Wimmer et al. 2005; Brundin and Härtel 2014; Litz 2012; Zellweger 2014). Rather, the discussion will focus on how in family businesses conflict-creating mechanisms build on these paradoxes and how conflicts, once they have emerged, can be communicatively advanced.

Social Systems are “Invisible”

In Chapter 2 we already discussed the basic difference the theory of social systems (also “new systems theory”) by Niklas Luhmann (e.g. 1968; 1995; 2000) posits in comparison to other systems theories: Social systems are not designed on the basis of living systems (human beings, individuals), they rather consist of “temporalized elements,” i.e. individual communications that all meaningfully connect to each other (Luhmann 1995; 2000). Once a communication comes into existence it is already gone. These are “invisible” meaning systems, which can be defined by how one communication connects to another. Seen like this, a “system” is a series of communications and the way they connect to each other is always determined by a specific logic. This logic provides the framework for how to understand and classify a communication (von Schlippe and Frank 2013): in a university context, for example, things are communicated differently than in a family context or the context of a fleeting interaction system that briefly emerges down the pub of an evening. The same words can assume a different meaning, depending on the context. Normally, “context markers” (see Chapter 2) help to keep the system logics apart. Yet in “poly-contextual inter-system relations” this orientation easily gets lost (Vogd 2013); the actors move in different contexts simultaneously, which cannot always easily be differentiated. So it becomes understandable that it is rather confusing to talk about something “overlapping” or “intersecting” in family businesses. It is the logics that determine the communication systems and in the case of family businesses they happen to be present and active simultaneously. Admittedly, it is theoretically possible to fix the communication context, i.e. to explicitly select “family communication,” for instance, but this requires a great deal of awareness reflecting on the differences between social systems. If there are no clear context markers, it is never quite certain which context is activated at any given moment (Jansen, von Schlippe, and Vogd 2015; Vogd 2013); at the breakfast table company communication will suddenly be activated, or family communication can intercede in the company. The people involved often do not realize which of the logics is currently “active” (“Am I talking as a father or a businessman?” – “Am I being addressed as daughter or as successor?”). Thus, they frequently encounter dilemmas they cannot escape from easily or at all. A decision that is correct and appropriate in the context of the company, such as denying a descendant a top-management position, in the context and logic of the family looks like a father’s/mothers “betrayal” of a son/daughter, after all, it is the parents’ task to provide the best for their children. Yet this is exactly what the logic of the business forbids, as it forces people to act not out of love for their children but according to the logic of the system “business.”

Paradoxes and Conflicts

The parallel existence of incompatible behavior expectations is the basis for experiencing paradoxes, or, to be more exact, pragmatic paradoxes¹ (Watzlawick et al. 1969). As the system logics cannot be separated as clearly as in other contexts, in family businesses frequently paradoxical situations arise, where it comes to “skewed connections”: one communication is connected in the logic of another system (in a way, the “three-circle model” oscillates constantly and has to be balanced anew in every communication). Conflicts can arise if the people involved are not aware of this complexity. This is because the conflict communication, at the level of psychic systems, is experienced as direct causality; any opponent is “wrong” (or stupid, ill or evil – it is usually one of these three explanations, see von Schlippe 2014). Only from a distance can the paradox be detected, but the more a person is involved in the conflict, the more stressful it is, the less capable he or she is to watch the goings-on from a “higher level.” In conflicts, people usually automatically use themselves as a reference point, they feel their own hurt and it is almost “natural” to see the other person as the culprit causing the hurt, who has to be resisted. At this point, mechanisms start to come into play that, if not reflected upon and balanced out, can massively further the escalation of the conflict.

As family businesses are often afraid of conflicts and the related “emotional messiness” (Brundin and Sharma 2012), communication by means of emotions is frequently suppressed. This does not mean, though, that feelings do not enter communication; non-verbal signs are “read,” (mis-)interpreted, exchanged with others (“Did you see the face she made?”). At the same time, there can be the expectation in business families that communication should be effected by means of emotions. When the repressed feelings later become active in communication and relevant for the system, rapidly escalating conflicts can be the result that use feelings as the central medium of communication and create specific communication patterns. In this connection, the type of emotion also plays a part.

Family Businesses as “Emotional Arenas”

Family as a Place of “Disinhibited Communication”

Families are seen as “intimate relationship systems” (von Schlippe and Schneewind 2014). Potentially, any and all human topics can be discussed here, at least in principle anything can be addressed. The option available in a company, for instance, to reject an emotionally laden question with a statement like: “Here’s not the place for this!,” is not available in a family in the “disinhibited communication” framework (Luhmann 1995). In a company, more restrictive manners determine communicative events. This means that the two systems deal very differently with escalation and the regulation of agitation. While the “disinhibited disputes” in the family can also be controlled spontaneously and intuitively by using appropriate forms of tension control (a tearful embrace following a row, a tentative kiss or a deliberate sulk, angrily keeping one’s distance for a lengthy period of time etc.), in organizations these regulations are handled much more formally. Neither is particular physical closeness common to release tensions, nor is keeping your distance possible for long in a work context. In the “paradox space in between” family and business logic, the forms of escalation and tension control of the two systems can now combine in such a way that the people involved get stuck in ongoing tension that is connected with high emotionality (Brundin and Härtel 2014). This increases the probability of a “malign clinch” (Stierlin 2005). From a systems-theoretical point of view, it is once more important for the following sections that it is not states of awareness that

are of interest, but communication, when it comes to understanding conflicts; only when a feeling becomes communication does it become relevant in the social system. The feeling of disappointment becomes meaningful only when it becomes part of the communication: “I am disappointed!” The systems-theoretical definition of communication is not based on a transmission model with sender, receiver and information to be transmitted, but on a process of continuous selection of information, utterance and understanding. Communication is a continuing chain of selections; information is selected, a message is opted for (utterance) and from all options the one variant is chosen that is then used for connecting to the communication. “Understanding,” by the way, does not mean “understanding correctly”; in the tripartite selection process, also misunderstandings and dissent are included and contribute towards the system’s autopoiesis (Luhmann 1995; Lehnert 2006). Written communication as an important type of communication for most social systems, especially organizations, does not require the presence of persons (interactions systems). In the case of written communication the interactional concurrence is dispersed and written communication (e.g. a family constitution) may have a stronger impact on the selection of information than oral communication. Furthermore, implicit knowledge may exert influence on the selection of information, utterance, and understanding. This is valid for all deliberations in the following sections. Even if a person sulks and remains silent, the silence serves as the continuation of the communication as long as it is interpreted as communication (Luhmann and Fuchs 1989), although communication does not necessarily require a reaction.

Psychological Contracts

The concept of “psychological contracts” suggested by Rousseau (Robinson and Rousseau 1994; Rousseau 1989) was taken up in family business research in order to understand the “emotional messiness” and the turbulences frequently arising in business families (Brundin and Härtel 2014; Brundin and Sharma 2012). Psychological contracts describe the self-evident and emotionally highly charged expectations from exchange agreements between two parties that both refer to a kind of promise. This promise is rarely made explicitly, often through verbal insinuation, but often also non-verbally, by means of actions, signals and symbols, and confirmed through long-term, ongoing practice. The promise rests on the expectation that both sides fulfil their part. On the basis of these expectations, a person starts behaving in line with the promise (a child, for instance starts to study business against her vocation because she assumes to get into the company at some point). In many cases the background for such a promise is a deeply felt loyalty, where the assumption is that the other person also feels the same and, predominantly, that one’s own commitment is perceived as an expression of this loyalty by the other. However, if a person has entered into a psychological contract in the family’s bonding logic (“I am loyal, I will join the company!”), but the other person perceives this following the family’s decision logic (“Let’s see, whether you’re sufficiently qualified. I will make a definite decision later!”), such a contract can be breached at some critical points. In this context, Kaye describes the “successor’s trap” the child can fall into; out of natural expectation and because of her own commitment, studies and career planning are oriented towards the family business without explicitly addressing this; alternative offers are rejected, until in middle age, and sometimes only when the last will is revealed, there is the realization that one’s own expectations do not match the perceptions of the other party (Kaye 1996).

Social Comparison Processes

The theory of social comparison processes (e.g. Festinger, Torrey, and Willermann 1954) assumes that people assess their self-esteem and the status they believe they have by comparing themselves with personalities they feel close to in respect of aspects they personally deem important. This universal mechanism can convey problematic dynamics in business families, if, for example, a person's position in the family is made dependent on whether she is treated "completely equally" to a sibling. Who has "more," who has "less" – and who therefore receives more or less recognition by the parents, can play a big role in disputes. This may result in difficult situations, if e.g. the business logic calls for a clear difference in how the children are treated, while the family logic demands equality (one of the central paradoxes). In this case, minimal differences can be fought over acrimoniously.

The Logic of Justice and Family-Internal Settlement Systems

Social comparison processes are closely connected with perceptions of justice, a crucial item in business families. A violated sense of justice is generally seen as a conflict driver; a violated normative expectation of how we ourselves or someone else should be treated can result in strong perceptions of indignation (Montada 2003). This indignation can be seen as a "guiding indicator for social conflicts"; ultimately, what underlies every conflict is the feeling that there has been a great injustice that has to be made up for.

In families—and this makes the topic so complicated—there are very individual, different settlement systems that underlie all that what we perceive as "just" or "unjust" (Boszormenyi-Nagy and Spark 1973; Stierlin 2005). In regard to many aspects, members of a social system keep something like a "justice ledger," where the awareness of fairness and appropriateness is "recorded," for instance, regarding our own or others' performance, merits etc. In this "internal account," people assess themselves in comparison to those close to them. As experience has shown, people here normally make the mistake to systematically assess their own performance in too positive a manner (Bruner 1992), and therefore conflicts and feelings of indignation can be expected particularly frequently in families. In business families these processes are even multiplied like through a "magnifying glass," as the question of a family member's "merits" involves not just recognition and appreciation, but also the materialized form of this in the form of an inheritance, a large share of the wealth, or influence in the company. The "great binding effect of such a hoped for or promised inheritance" (Simon 2012b) is in any case directly related to these processes; the feeling to be completely and utterly tied to the family is not exactly a rarity in business families. Solving the conflict by simply withdrawing from close relatives one feels disappointed or betrayed by is not an easily available option.

Us Against Them

A frequently proven socio-psychological mechanism refers to inter-group effects. Within a short time, communication patterns can evolve between groups that facilitate intense conflicts; the respective other side is step-by-step described in more negative terms and at the same time one's own group is idealized. This is particularly true if the two groups are in a competitive relationship. In order to produce these effects, it is sufficient to establish two groups by drawing an arbitrary boundary (for example, in a summer camp for children) and

have them compete: this rapidly creates negative stereotypes that might even lead to bitter hostility (Sherif 1966). This phenomenon can become important in business families if the organizational form of “tribal business” has been chosen, if the founder’s decision to distribute his inheritance equally between his three or four children but not to split this share any further results in a structure in which the sub-families of the children and grandchildren are tied together as groups. In these cases, dynamics can evolve where the “vertical loyalty” (Stierlin 2005) to the founder slowly fades, which in the first generation after the founder usually is still very strong and so helps to dampen conflicts (“Dad wouldn’t have wanted that, let’s be friends!”). In later generations, “horizontal loyalty” predominates and one’s own sub-group (“us”) is sharply set apart from that of the others (“them”) and the interests of one’s own group are increasingly put before those of the whole. In business families this can often be seen with married couples, whose loyalty to the extended family is naturally less pronounced than that to their own nuclear family. In the latter, sentiment against the larger family and “the others” can then build up (“Why do you put up with that!”) that promotes tribal conflicts.

Transgenerational Stories

The communicated sentiments discussed in the previous two sections find their continuation when experiences are passed on to the next generation. Again, this is not specific to business families, but stories can be particularly important for these families as the company remains present in the family as a constant factor through the generations and keeps the families of estranged siblings or cousins together for a very long time, while other families at some point cannot even remember their ever more distant relatives. In business families people constantly encounter each other, in shareholder and board meetings, and old stories about (in)justice, (betrayed) loyalty, wounded honor etc. are passed on or are refreshed. The transgenerational life’s work of a family business can be a source of positive stories that convey identity, but equally, it can perpetuate existing conflicts, if in themselves conclusive and consistent, but one-sided, world views are passed on in the extended business family across generations in the form of competing stories (Zwack and von Schlippe 2012).

Conflict Aggravation

The mechanisms described above are typical conditions found at the start of conflicts, they apply universally, but in family businesses they are encouraged by the specific paradox constellation of that type of business. They can also easily escalate into “family wars” (Gordon and Nicholson 2008). To understand these, the interaction of the above-mentioned entry conditions with typical psychological conflict mechanisms has to be taken into account, which apply when a conflict (as the negation of a negation; Simon 2012a) has started. These mechanisms then propel an escalation and chronify the conflict, which quickly turns into an autonomous “system within the system.” These mechanisms are described one by one below, although in many cases they obviously occur at the same time and often are interwoven. What has to be kept in mind is that not only paradoxes as features of the system of family business but also persons can shape conflict-related communicative patterns and content, especially if social systems (for want of pronounced structures) enable individual persons to exert a massive influence on the course of conflicts.

The Fundamental Attribution Error

An effect proven in countless psychological studies is the specific tendency to perceive conflict situations in an extremely distorted manner, a phenomenon also known as “correspondence bias” (Gilbert and Malone 1995). One’s own position and even one’s own aggressive behavior are, quite in contrast to those of the counterparty, seen as honorable, as they are “only” a counter-reaction and a measure of self-defence that has to be taken in order to end the conflict once and for all. Positions and actions of the other party or parties, on the other hand, are seen as an expression of their ill will. Thus, the process of reciprocal escalation is subjectively perceived as one-sided; *they* escalate, *we* only react. As this assumption is made on both sides, this attribution error takes them ever further into the conflict: both sides “defend” themselves against the “evil” opponent and everybody becomes blind to their own part in the conflict dynamics. Both sides do not only feel justified but forced to use ever stronger means to end the conflict.

Hostile Attributional Bias

Closely connected to the perception pattern just mentioned is a second factor, and both together massively intensify the conflict dynamics. This mechanism, called “hostile attributional bias,” was originally found in highly aggressive children; these interpret a neutral or even friendly offer to interact as hostile and react accordingly, negatively (Dodge 2006). Apparently a situation of mutual mistrust creates an expectation structure (in a way as a premise for communication), through which this mistrust constantly feeds on itself and so establishes its own, negative conditions for reproductions; if you are convinced the other party wishes you harm, you will consequently show a negative reaction, and the other side might not keep up the originally friendly offer. If this happens, the moments – which occur in every conflict – where one side is more conciliatory and takes careful steps in that direction, are not perceived as such. On the contrary, such offers might even be rejected derisively (“Now they’re trying softly-softly; well, not on my watch!”). The other side will then, naturally, feel particularly aggrieved and possibly reacts with further escalation (which then confirms the perception pattern: “I knew it, that was just pretend, now they show their true face!”). It is not easy to detect and see through this mechanism, in order to follow up a rejected offer for de-escalation with another one (which then might circumvent the hostile attribution bias).

The patterns described above strongly further the development of an escalating conflict system; where the fundamental attribution error leads into the conflict, in the next step, the hostile bias makes it impossible to find a way out of escalation once it has been set in motion (Omer, Alon, and von Schlippe 2007).

Losing the Ability to Adopt Perspectives and Demonization

Increasingly, the persons involved thus get tangled up in a vicious circle, in which they change without noticing it. Feelings of wounded honor, a hurt sense of justice, moral indignation, and at the same time helplessness can all result in a specific way of thinking, experiencing and communicating that is characterized by an increasing narrowing of one’s field of vision, demonizing descriptions of the other side, and a loss of the ability to adopt different perspectives, of empathy, and of the ability for self-control. Under the tension of a conflict the ability to empathize with the other person, to see things from his/her perspective, gradually disappears and the structures of thinking begin to match those of feeling (Ciompi 2005;

Simon 2012a). One's own point of reference becomes absolute, the idea that someone else also might feel hurt or treated unjustly gets lost. In communication, people resort to simplified differentiations and all shades and nuances are gone, now it is 'black or white,' 'all or nothing,' 'friend or foe.'

In this change of attention focus, there is also a change in the sense of time (Simon 2012a), it is the present alone that counts. Step by step a "demonized mindset" (Omer et al. 2007) emerges, the other person/side is increasingly described in a totally negative manner. "Demonic narratives" enter the communication, where the other party is depicted as (completely and utterly) evil and thus turns into a "monster" that has to be defeated. Eventually, any means is justified, which at high levels of escalation might even include the (economic or even physical) destruction of the other party. "Demonized zones" (Glasl 2008; 2011) spring into existence, and actions are taken without assuming any responsibility ("Now this is his own bloody fault!"), involving highly destructive processes.

Internal Dynamics of the Conflict: The Conflict as "Parasite"

From a certain point onwards, the internal dynamics of escalating processes increasingly start to elude the actors. In this connection, Luhmann (1995) talks about conflicts as "parasitic social systems." Such a social system intrudes upon an existing communication structure and establishes its own conflict logic. The original communication system is occupied by the conflict and is turned into a new, "highly integrated" communication system with often very predictable expectation structures, where the behavioral options of everybody involved are narrowed down enormously: the statement of one party is immediately followed by a statement from the other, frequently it is already "known" what the other party is going to say. The parties have less and less room for their communicative reactions, the conflict logic can be less and less influenced from outside and forces its own laws onto the parties. At some point it becomes impossible to control the goings-on; "The conflict has got us" (Glasl 2011). Without external support, there is no solution anymore (although conflict counsellors also know how difficult it is to gain access to such highly integrated social systems).

In family businesses this process often takes the form of disputes being avoided for a long time out of the sheer fear of conflicts. Archetypically, the conflict starts with occasional contradictory communication, and over time stable expectation structures focused on dissent develop (by means of the mechanisms described). The content dimension described at the beginning (task or process conflicts) more and more retreats into the background, until finally the focus is exclusively on the social dimension as a pure relationship conflict (Lehnert 2006; Simon 2012a). In the worst case, this process includes the conflicting parties' mutual way into the abyss (Glasl 2008; 2011). This can be the moment where mediation becomes the only option to prevent the destruction of company assets.

Conclusion: Intervention Focus "Consciousness Raising"

All mechanisms described so far are probably phylogenetically predetermined inside us (Riedl 1981). In the course of the conflict they make sure that we mobilize our readiness to fight or flee, and the conflict topics themselves become secondary. In moments of imminent threat from the environments in which these patterns once evolved, this may have been appropriate. In highly complex social situations today, however, they are counter-productive or even dangerous, as they create exceptional situations for the actors that might promote the chronification of conflict systems as soon as these exceptional situations have a communicative effect.

Non-communicated, psychic exceptional situations will not have any social consequences. Even though they are important for the individual they are not in the focus of social systems theory. But once they are communicated, they can still be ignored or they could be answered. While many social systems try to dismiss the communication of conflict-related emotions, especially family businesses or business families are exposed to a greater risk of establishing their own, typical communication patterns as a response to conflict-related, communicated emotions, which rapidly create their own structures with a characteristic development logic and dynamics (Frank et al. 2011). In this connection, also individual persons (for example because of their formal and/or informal power) can gain great influence over these conflict systems. But what basal means of intervention are available to us, apart from well-known conflict management strategies (Eddleston et al. 2008; Kellermanns and von Schlippe 2012; McKee et al. 2014; von Schlippe 2014) and preventive measures such as family governance (Lueger and Frank 2015; Suess 2014) or legal procedures (Fabis 2009; Neuvians 2011)? The major focus from the systems-theoretical perspective assumed here is on avoiding the attribution of reasons for the conflict to individuals, i.e. allegations of motives and person-related attributions (Frank et al. 2011), and on perceiving paradoxes and conflicts as a mutual challenge and task.

At the heart of these efforts to contain already existing conflicts there is “consciousness raising” at the family level and, subsequently, an individual level (Harvey and Evans 1994). The idea is to see through the mechanisms and rules underlying the family system and to understand the dynamics this system is subject to. This includes accepting the different system logics of family, business and ownership, and to balance these in situations when decisions are made. Shared knowledge of these fields of tension can help to keep a certain distance. Depending on the degree of escalation, more or less pronounced external support or even massive intervention will be required. What has proven effective is to properly reflect on the specific initial conditions of family business conflicts and the communication and attribution patterns that have emerged in the course of the conflict. Once the other person is not perceived as an “adversary” anymore, but realization has set in that the real “adversary” is the paradox of the family business, it can become possible to dissolve the highly integrated conflict system carefully. The opponents can realize that they are allies that together might be able to face the challenge posed by this “impossible type of company” that has led them into a debilitating conflict system. It can also be helpful to understand that often in these conflicts the values of all conflict parties are violated, but that these values are rooted in different reference systems and logics. While one party to the conflict is deeply committed to the family in its values, the other party’s values might rather be closely connected to the business. If these structures are understood properly, patterns of hostile allegations of motives can be broken and people may be prepared to see the other side’s motives as honorable and comprehensible, rather than as malicious. This is an important prerequisite to return to a cooperative state. After all, the essential element that has to be regained is trust—and this means to take the risk to “assume the other party has good intentions” (Luhmann 1968)—and that in a social situation where you can never be absolutely sure what the other one “really” thinks. An intervention focus primarily on changing communication patterns and their underlying rules, that is away from assigning blame to persons or groups, does not only relieve the pressure on the people involved, but also provides a new approach towards understanding one’s own family and their position towards the family business. Social systems depend on the structural coupling with psychic systems and people. If the insights generated in the course of reflexion processes accepted as information by a psychic system, i.e. do they become conscious, they can remain there as thoughts or, by means of communication, decisively contribute towards the changes in expectation structures of social (conflict) systems.

Note

- 1 A “semantic paradox” is a logical contradiction (“The next sentence is wrong!” – “The previous sentence is right!”). These paradoxes are confusing but not relevant for our behavior. Pragmatic paradoxes, on the other hand, emerge when two incompatible behavior expectations are communicated, (“Tell me that you love me! But tell me because you want to, voluntarily, not because I ask you to!”). The parallel existence of two contradictory behavior expectations paralyzes all actions. In family businesses it is possible for the two expectations “family” and “business” to mutually exclude each other.

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