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# CONFLICT MANAGEMENT STRATEGIES IN FAMILY BUSINESS: A CASE STUDY OF BOSNIA AND HERZEGOVINA

## ABSTRACT

**Purpose:** The aim of this paper is to determine, theoretically and empirically, which strategies are most commonly used to manage conflict situations and to what extent conflict management strategies have an effect on knowledge transfer between owners and successors in family businesses in Bosnia and Herzegovina. This research empirically establishes a link between conflict management strategies and knowledge transfer.

**Methodology:** In addition to theoretical conceptualization, the paper presents quantitative empirical research confirming the validity of the proposed hypothesis.

**Results:** The results of the research show that owners who tend to use the integrating, obliging and compromising conflict management strategies, attach more importance to succession planning and transfer of knowledge and experience to successors. In contrast, dominant leaders are less willing to plan for succession, as they would prefer to retain all the crucial information and decision-making authority and are therefore reluctant to share their knowledge and power.

**Conclusion:** Relevant conflict management strategies can be implemented to help maintain family relationships and ensure business continuity. Learning effective conflict management techniques is important for anyone involved in a family business. Thus, managing conflict is important for the success and longevity of family businesses.

**Keywords:** Family businesses, conflict management strategies, knowledge transfer, succession

## 1. Introduction

Most instruments for measuring conflict management styles/strategies emerged in the late 1960s and early 1970s when the dominant social psychology paradigm was laboratory testing of personality traits. A common method for data collection was a

questionnaire, which was used to obtain information about individual differences in predispositions, characteristics, and attitudes (Knapp et al., 1988). Each of the instruments used to measure organizational conflict strategies has unique classification elements (Knapp et al., 1988). The classification with five patterns of behavior in social conflicts,

compared to other classifications, is, according to an analysis of the available literature, a frequently applicable model in studies of social conflicts and interpersonal relationships (Tatalović et al., 2012). Rahim and Bonoma's two-dimensional model of five styles of handling interpersonal conflicts is based on a managerial grid, proposed by Blake and Mouton (1964), and on Thomas's (1976) model of conflict management styles. Rahim and Bonoma (1979) differentiate between five styles of managing interpersonal conflict along two dimensions: 1) concern for self (the degree, high or low, to which one tries to satisfy one's own concern) and concern for others (a degree, high or low to which a person tries to satisfy the concerns of others). As pointed out by Rahim (2011), these dimensions portray the motivational orientations of an individual during conflict. The authors of these two dimensions have identified five styles of managing interpersonal conflict: integrating, obliging, dominating, avoiding, and compromising. Management scholars agree that there is no single best approach to decision making, leadership, and motivation. For example, the decision theory states that each of the five leadership styles is appropriate depending on the situation. This theory considers two situations: the quality of the decision and acceptance of the decision. The theory suggests that when the decision quality and acceptance are low, a leader should use an autocratic style. In contrast, if the decision quality and acceptance are high, the leader should use a collaborative style. Therefore, effective leadership seems to depend on matching leadership styles to situations. Failure to match the two variables will lead to ineffective leadership (Rahim, 2002).

## 2. Managing conflicts and succession process in family firms

**Conflict management strategy.** Family businesses that can successfully manage conflicts are more likely to survive the transition to the next generation (Ibrahim et al., 2001). In their study, Caputo, Marzi, Pellegrini, and Rialti (2018) show that studies concerning conflicts in family businesses aggregate into three clusters: organizational conflicts; firm growth and conflicts; and family control, performance, and conflicts. The study shows that conflicts are crucial in maintaining entrepreneurial and innovative orientation, balancing multigenerational involvement, and counterbalancing the excessive power of family coalitions. Integration is a conflict management

strategy that includes attempts to develop a mutually acceptable solution to the problem, fully satisfying the concerns of all parties (De Dreu & Van Vianen, 2001; Sorenson, 1999). Integration has been found to improve teamwork effectiveness and lead to mutually beneficial solutions, more effective goal achievement, and less likelihood of future conflicts (Pruitt & Rubin, 1986; Tjosvold, 2008). The obliging strategy is based on a high concern for others and a low concern for oneself. It identifies the desires of others and fulfills them while ignoring personal desires. In a family business, if all parties become adaptable and obliging, conflicts can usually be resolved. Dominating strategy is often based only on self-concern and a low concern for others. If there is a conflict between the successor and the owner, it is likely to be resolved to the satisfaction of the owner. In family businesses with a high concentration of control and owners with a strong desire to maintain leadership, participation in discussions of goals and strategies is often lacking, leading to poor decision-making (Daily & Dollinger, 1993; Harvey & Evans, 1994). Such competitive behavior will discourage the expression of different opinions, hinder the emancipation of the younger generations, and destroy the intimacy of the enterprise (Hilburt-Davis & Dyer, 2003). Avoiding strategy is a failure to resolve conflicts. Individuals may deny the existence of conflicts or simply avoid discussing them directly. Family members can avoid discussing conflicts at work, but they release their frustrations at home with their spouses, creating additional negative feelings in the family. However, when individuals need time to "cool off" or when the problem is trivial, avoidance can be an effective strategy. Nevertheless, it is not a relationship-building strategy. Too much avoidance leaves unresolved important business and family issues, which can increase tension and limit productive action. The compromising strategy is similar to integration and should produce similar outcomes, but it is a "fixed" approach. Given that both parties give up something, none feels completely satisfied. Therefore, compromise can contribute to achieving the desired business and family outcomes, but not to the same extent as integration.

**Succession and knowledge transfer.** Succession planning involves the preparation of the leader of the family enterprise so that family-specific tacit knowledge can be transferred and developed. Succession planning involves the transfer of assets,

capital, contacts, power, skills, and authority from one generation to the next. Namely, one of the most critical organizational changes that a family company must face at some stage in its life is the process of succession (Trevinyo-Rodriguez & Tapiés, 2010). A family business that has not begun to develop or implement a succession plan is one that is not fully prepared to deal with the challenges it faces. There is extensive literature on the succession of family businesses that focuses on its various aspects, seeking to shed some light on its complexity. Business succession has been a central topic in the literature on family enterprises since the 1960s, representing almost a third of the literature on this topic. Succession is primarily a process that takes time to develop and needs to be planned and managed to be successful. Several entities are involved in this process: current leaders, successors, family, and shareholders. Other studies mainly focus on the difficulties that can arise in this process, emphasizing, inter alia, the complexity of transferring the ability to manage the business (Bracci & Vagnoni, 2011). The knowledge-based view of the company has proved useful in the research on family enterprises. This approach looks at how companies create, acquire, use, protect, and transfer knowledge. A knowledge-based view distinguishes explicit and tacit knowledge. Explicit knowledge is the knowledge that can be easily transferred and codified. Tacit knowledge is difficult to convey because this type of knowledge is not immediately apparent and can be embedded in the processes, culture, and relationships in the organization. Tacit knowledge is particularly important for family businesses - the direct or indirect involvement of family members in a company from an early age serves to develop a profound level of specific tacit knowledge and can benefit family businesses in responding to changes in a competitive environment. Identified knowledge of family businesses that predecessors passed on to successors can be one of the most strategically important forms of tacit knowledge, which must be passed on to ensure efficient succession in family businesses. Access to this deep, often tacit, strategic knowledge that provides power and influence cannot be taken for granted. Highly personalized identity-based connections, which are based on trust (e.g., family ties) can become the foundation on which this knowledge transfer takes place (Milton, 2008).

### 3. Research method and database

To validate the link between conflict management strategies and knowledge transfer and succession planning, an online survey was conducted first to collect data from the family business owners and successors.

**Sample.** As there are no official data on family businesses in Bosnia and Herzegovina, research conducted by an education center "Pro Educa" was used as a database for sampling family businesses in Bosnia and Herzegovina. Namely, this research included 152 private companies in Bosnia and Herzegovina employing between 5 and 650 employees in the construction sector, retail and wholesale trade, various types of service activities trades and crafts, and the food industry. The research included, among others, Violeta (Grude), Centrum Trade (Banja Luka), Alma - Ras (Olovo), Širbegović Group (Gračanica), Plantago (Laktaši), and many others. Family business owners and successors from the Federation of Bosnia and Herzegovina, Republika Srpska, and the Brčko District were contacted and invited to complete a survey about their business practices. Over 60% of the family businesses contacted agreed to complete the questionnaire, of which 44 are business owners and 48 successors.

**Data analysis.** Data analysis methods include graphical and numerical methods for a descriptive approach to quantitative data analysis and the calculation of connectivity indicators, and methods for testing the relationship between variables in the contingency table based on relative frequencies. Statistical analysis methods are adapted to the type of the variables being analyzed. Conflict management strategies are measured, that is, the hypotheses are tested using/ a method by Sorenson (1999), adapted from Rahim (1983), who measure conflict management strategies in successful family-owned businesses. The hypotheses are tested to determine whether there is a link between conflict management strategies and the perceived importance of succession planning as well as transferring key knowledge to successors. The aim is to identify which of the five strategies has the highest positive outcome for both knowledge transfer and succession planning.

**Process.** The analysis of the obtained research results is divided into two parts. First, the participants were asked a series of demographic questions to determine their suitability for inclusion in the study

and presentation of the results obtained. They were followed by questions inquiring about the respondent's status in the company, i.e., whether the respondent is the owner or successor; duration of employment with the company; how long the company has been operating; which generation currently manages the company; and questions about the ownership structure. This section provides insight into the development of enterprises, especially family-owned enterprises in Bosnia and Herzegovina. Given that there is not much information in this regard, the research provides potentially valuable information on the sample. The second part of the analysis is about proving the hypotheses.

**Research Question:** What is the link between the owner's conflict management strategy and his per-

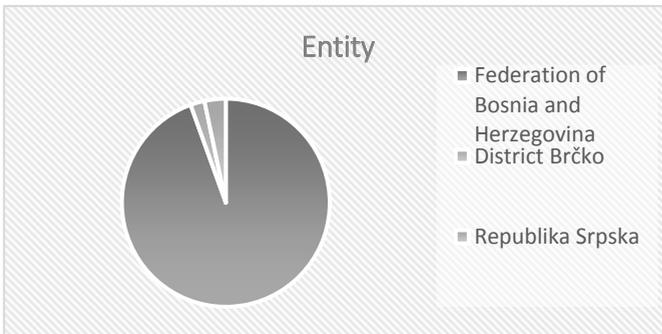
ception of the importance of succession planning and the transfer of knowledge and information?

**H1:** The more the owner relies on the integrating, obliging, and compromising strategies, the more importance will be given to succession planning and knowledge transfer.

**H2:** The more the owner relies on the dominating and avoiding strategies, the less importance is attached to succession planning and knowledge transfer.

Figure 1 shows that 95% of family businesses that participated in the survey are from the Federation of Bosnia and Herzegovina, 3% from the Brčko District, and 2% from Republika Srpska.

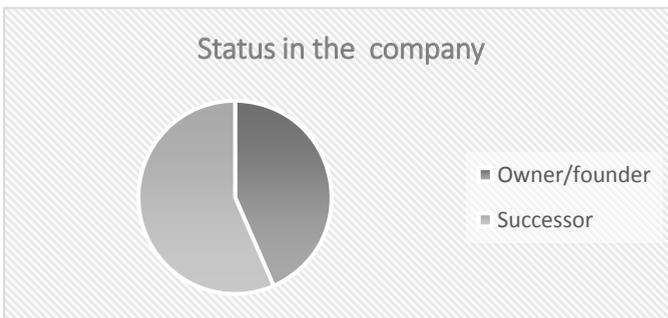
*Chart 1 The entity in which the family business is based*



Source: Author

Figure 2 shows the structure of the surveyed respondents' status in the company. As can be seen, 43% are owners and 57% are successors.

*Chart 2 Respondents' status in the company*



Source: Author

Table 1 Family business demographics

		Frequency	Percent	Valid Percent	Cumulative percent
<b>How old is your company?</b>					
Value	From 0 to 5	5	5.5	5.5	5.5
	From 6 to 15	17	18.7	18.7	24.2
	From 16 to 25	49	53.8	53.8	78.0
	From 26 and more	20	22.0	22.0	100.0
	Total	91	100.0	100.0	
<b>Do you consider yourself a family business?</b>					
Value	Yes	88	96.7	96.7	96.7
	No	3	3.3	3.3	100.0
	Total	91	100.0	100.0	
<b>How many generations have worked in the company?</b>					
Value	Without answer	1	1.1	1.1	1.1
	1.00	9	9.9	9.9	11.0
	2.00	73	80.2	80.2	91.2
	3.00	8	8.8	8.8	100.0
	Total	91	100.0	100.0	
<b>Which generation is currently running the business?</b>					
Value	1.00	44	48.4	48.4	48.4
	2.00	44	48.4	48.4	96.7
	3.00	3	3.3	3.3	100.0
	Total	91	100.0	100.0	
<b>Do you expect anyone in the family to take over the business?</b>					
Value	Yes	86	94.5	95.6	95.6
	No	4	4.4	4.4	100.0
	Total	90	98.9	100.0	
Missing	System	1	1.1		
Total	91	100.0			
<b>How many family members have shares or holdings in the company?</b>					
Value	.00	14	15.4	15.6	15.6
	1.00	46	50.5	51.1	66.7
	2.00	27	29.7	30.0	96.7
	3.00	3	3.3	3.3	100.0
	Total	90	98.9	100.0	
Missing	System	1	1.1		
<b>Total</b>	<b>91</b>	<b>100.0</b>			

Source: Author

Table 1 shows that the majority of companies surveyed (49 of them) are between 16 and 25 years old, 20 companies are more than 26 years old, 17 companies are between 6 and 15 years old, and the rest are less than 5 years old. The vast majority of respondents consider their company a family business, 88 of them, while only three of them do not. Most of the companies surveyed have made one transition, as many as 73 respondents, followed by 9 that have not transitioned from the first generation to the next, while only 8 have made two transitions, where now the third generation has become involved in the work of the company. 44 companies are run by the first generation and the same number of companies are run by the second generation. Only 3 respondents answered that their company is run by the third generation. A large number of respondents report they expect that someone from the family will take over the business (as many as 86 respondents), while only 4 respondents do not expect that to happen.

The second part of the data analysis is focused on the testing of the hypotheses. In the correlation analysis, where the existence of relationships between the two variables is examined, Pearson's correlation coefficient is used at a significance level of 5% to test the hypotheses of this paper. Tables 2, 3, and 4 present the data used to test the hypothesis H1, that is, the relationship between the variables describing the integrating, compromising, and obliging strategies with the variables concerning knowledge transfer and succession planning. The integration strategy is described by the statement "I seek to investigate the problem to find a solution acceptable for all" and is analyzed in relationship to the variables shown in the first column of Table 3. The statements for knowledge sharing were measured on a 5-point Likert scale, where 1 = strongly disagree; 2 = disagree; 3 = neither agree nor disagree; 4 = agree; 5 = I strongly agree, while the statements for succession planning were analyzed using a 5-point Likert scale, where 1 = not at all 2 = slightly 3 = somewhat 4 = very 5 = extremely.

**Table 2 Integrating strategy, succession planning and knowledge transfer**

<b>Knowledge transfer:</b>	<b>Pearson Correlation</b>	<b>Sig.</b>
Family members have shown a lot of respect for each other.	0.486	0.000
We have gained some knowledge and information, which enabled a better understanding of the problem.	0.094	0.374
The conflict has allowed us to exchange information we would otherwise not be aware of.	0.741	0.023
The conflict has enabled better planning for the future.	0.142	0.410
The conflict has enabled a better division of tasks.	0.101	0.214
The conflict has increased insight into new opportunities and potential problems.	0.279	0.236
The conflict has increased insight into a new possibility for job advancement.	0.749	0.010
The conflict has allowed decisions to be made to increase efficiency in the shorter term.	0.895	0.020
The conflict has hindered knowledge sharing and information flow.	0.012	0.913
<b>Succession planning:</b>		
How much is the planning and announcement of the last will valued?	0.722	0.028
How much is a formal business succession plan valued?	0.472	0.049

Source: Author

Integration facilitates understanding of others and promotes positive relationships (Sorenson et al.,

1998). Given that it requires information exchange and openness, integration is associated with orga-

nizational learning and adaptation that should improve the family business performance (Dyer, 1986). Although some research has shown the ineffectiveness of integration in resolving certain types of conflict (De Dreu & Van Vianen, 2001; Murnighan & Conlon, 1991), research on family businesses has shown that it is the most effective conflict management strategy in terms of both family and business outcomes (Sorenson, 1999). This survey shows that

the integration strategy is effective for information exchange. When it comes to succession, it is positively correlated with the planning and announcement of the last will and a formal succession plan.

The obliging strategy is described by the variable "I try to satisfy the expectations of others". Table 3 shows the impact of obliging strategy on knowledge transfer and succession planning in family businesses.

**Table 3** *Obliging strategy, succession planning and knowledge transfer*

<b>Knowledge transfer:</b>	<b>Pearson Correlation</b>	<b>Sig.</b>
Family members have shown a lot of respect for each other.	0.152	0.151
We have gained some knowledge and information, which enabled a better understanding of the problem.	0.045	0.675
The conflict has allowed us to exchange information we would otherwise not be aware of.	0.459	0.043
The conflict has enabled better planning for the future.	0.415	0.037
The conflict has enabled a better division of tasks.	0.745	0.012
The conflict has increased insight into new opportunities and potential problems.	0.452	0.029
The conflict has increased insight into a new possibility for job advancement.	0.098	0.451
The conflict has allowed decisions to be made to increase efficiency in the shorter term.	0.109	0.785
The conflict has hindered knowledge sharing and information flow.	0.010	0.926
<b>Succession planning:</b>		
How much is the planning and announcement of the last will valued?	-0.476	0.045
How much is a formal business succession plan valued?	0.140	0.049

Source: Author

The obliging strategy is useful when one side believes it may be wrong or that the concern is much more important to the other side. It is also useful when one party is willing to give up something in exchange for getting something from the other party in the future. However, too much obliging behavior can cause some to become too adaptable, even when it comes to important issues. For example, a very obliging owner may sacrifice business success to satisfy his family or employees (Rahim, 2002). By using the obliging strategy in a family business, the owner seeks to downplay the differences and emphasize the commonalities to meet the needs of others rather than his own. As a result,

there is insufficient future planning, and preparation and training of successors to take over the leadership. According to this research, when it comes to knowledge exchange, there is some possibility of a better division of tasks and insight into new opportunities and potential problems. However, this strategy does not correlate very well with the variables that describe knowledge transfer, and is even negatively correlated with succession planning.

The effects of the compromising strategy on succession planning and knowledge transfer are given in Table 4. The strategy is described by the variable "I usually propose a middle ground for breaking deadlocks".

**Table 4 Compromising strategy, succession planning and knowledge transfer**

<b>Knowledge transfer:</b>	<b>Pearson Correlation</b>	<b>Sig.</b>
Family members have shown a lot of respect for each other.	0.153	0.148
We have gained some knowledge and information, which enabled a better understanding of the problem.	0.020	0.901
The conflict has allowed us to exchange information we would otherwise not be aware of.	0.538	0.035
The conflict has enabled better planning for the future.	0.541	0.038
The conflict has enabled a better division of tasks.	0.210	0.049
The conflict has increased insight into new opportunities and potential problems.	0.104	0.478
The conflict has increased insight into a new possibility for job advancement.	0.774	0.010
The conflict has allowed decisions to be made to increase efficiency in the shorter term.	0.010	0.489
The conflict has hindered knowledge sharing and information flow.	0.016	0.883
<b>Succession planning:</b>		
How much is the planning and announcement of the last will valued?	0.023	0.836
How much is a formal business succession plan valued?	0.010	0.996

Source: Author

Compromise involves each party giving in to the other to find an acceptable solution. However, it is a “fixed-pie” approach. The analysis of the survey data did not reveal a statistically significant connection between compromise and succession planning. However, this strategy has positive outcomes for knowledge transfer. Some research has shown that compromise is not the most effective conflict management strategy as the root causes of conflict are still present (Murnighan & Conlon, 1991). Family businesses in which compromise is uncommon are

likely to have harmful and negative family interactions; sometimes, family members have to “give and take” to maintain peace (Sorenson, 1999).

Hypothesis H2 proposes that some conflict management strategies in family-owned businesses may have negative outcomes for knowledge transfer and the succession process. Thus, the dominating strategy is analyzed in relationship to the variables given in Table 5. This strategy is described by the statement “I use my authority to make a decision in my favor”.

**Table 5 Dominating strategy, succession planning and knowledge transfer**

<b>Knowledge transfer:</b>	<b>Pearson Correlation</b>	<b>Sig.</b>
Family members have shown a lot of respect for each other.	0.016	0.877
We have gained some knowledge and information, which enabled a better understanding of the problem.	0.111	0.291
The conflict has allowed us to exchange information we would otherwise not be aware of.	0.010	0.487
The conflict has enabled better planning for the future.	0.101	0.085
The conflict has enabled a better division of tasks.	- 0.289	0.047
The conflict has increased insight into new opportunities and potential problems.	- 0.234	0.048
The conflict has increased insight into a new possibility for job advancement.	- 0.213	0.049
The conflict has allowed decisions to be made to increase efficiency in the shorter term.	0.198	0.059
The conflict has hindered knowledge sharing and information flow.	0.159	0.152
<b>Succession planning:</b>		
How much is the planning and announcement of the last will valued?	0.114	0.281
How much is a formal business succession plan valued?	0.115	0.279

Source: Author

The dominating strategy is often based only on one's own concerns, i.e., it does not take into account the other party's concerns. Thus, in terms of succession planning, this study shows that the dominating strategy has a negative impact on keeping the family together, while in terms of knowledge transfer, it reduces insights into new opportunities and potential problems and the possibility of job advancement. The dominating strategy can create

competing coalitions within a family business that could promote personal plans in the short term, but that are detrimental to the business in the long run (Sorenson, 1999).

The avoiding strategy is analyzed in relationship to the variables given in Table 6 by the following statement: "I usually avoid open discussions of my differences with others".

**Table 6** *Avoiding strategy, succession planning and knowledge transfer*

<b>Knowledge transfer:</b>	<b>Pearson Correlation</b>	<b>Sig.</b>
Family members have shown a lot of respect for each other.	0.087	0.410
We have gained some knowledge and information, which enabled a better understanding of the problem.	- 0.056	0.599
The conflict has allowed us to exchange information we would otherwise not be aware of.	- 0.059	0.601
The conflict has enabled better planning for the future.	- 0.478	0.021
The conflict has enabled a better division of tasks.	- 0.412	0.029
The conflict has increased insight into new opportunities and potential problems.	- 0.398	0.023
The conflict has increased insight into a new possibility for job advancement.	- 0.385	0.024
The conflict has allowed decisions to be made to increase efficiency in the shorter term.	- 0.585	0.020
The conflict has hindered knowledge sharing and information flow.	0.124	0.241
<b>Succession planning:</b>		
How much is the planning and announcement of the last will valued?	0.171	0.105
How much is a formal business succession plan valued?	0.063	0.551

Source: Author

By avoiding conflicts, family businesses become stagnant and fail to develop new strategies. Conflict avoidance hampers future planning and the possibility for job advancement, and generally does not have a positive effect on knowledge transfer or on succession planning. Without conflict, family businesses do not discuss their tasks or develop new goals (Kellermann & Eddleston, 2007). Avoiding conflict leads to greater frustration and negative emotions that harm the relationships between family members. Thus, conflict avoidance increases tensions and limits productive action (Sorenson, 1999). This study shows that the avoidance strategy allows a better division of tasks and gives a better insight into new opportunities and potential problems. However, this strategy does not correlate with

the variables describing knowledge transfer and is even negatively correlated with succession planning, thus confirming the results of previous research.

Before presenting the synthesis of the results of the survey conducted, Table 7 outlines which conflict management strategies are most commonly used in family-owned businesses in Bosnia and Herzegovina. The results are summarized (the entire sample was subjected to this testing). Hypotheses H1 and H2 sought to identify which of the five conflict management strategies had positive outcomes for both knowledge transfer and succession planning. According to the research results, only the integrating strategy is positively related to the variables describing knowledge transfer and the

variables related to succession planning. The strategies listed are described by the variables as follows: dominating strategy: “I use my authority to make a decision in my favor”; integrating strategy: “I try to investigate the problem to find a solution acceptable to all”; obliging strategy: “I try to satisfy the expectations of others”; avoiding strategy: “I usually

avoid open discussions of my differences with my family”; compromising strategy: “I usually propose a middle ground for breaking deadlocks”. All variables were measured on a five-point Likert scale (1 = strongly disagree; 2 = disagree; 3 = neither agree nor disagree; 4 = agree; 5 = strongly agree).

**Table 7 Conflict management strategies**

	N	Minimum	Maximum	Mean	Std. Deviation
Dominating strategy	273	1.00	5.00	2.5971	1.37423
Integrating strategy	273	1.00	5.00	4.2051	1.07873
Obliging strategy	273	1.00	5.00	3.6410	1.21695
Avoiding strategy	273	1.00	5.00	2.8645	1.48768
Compromising strategy	273	1.00	5.00	2.5971	1.37423
Valid N (listwise)	273				

Source: Author

Based on the data presented in Table 7, it can be concluded that family business owners and successors use the integrating strategy most frequently (the mean is 4.2051), followed by the obliging strategy (with a mean of 3.6410), while the dominating (2.5971) and compromising strategies (2.5971) are used less frequently.

**4. Synthesis of the results and limitations of the research**

Hypothesis H1 proposes that the more a business owner relies on the integrating, obliging and compromising strategies, the more importance is given to succession planning and the transfer of his knowledge and experience. Business owners and successors using integrating, obliging, and compromising strategies attach importance to succession planning and knowledge transfer. A combination of more collaborative strategies is likely to encourage the owner to plan the succession and manage conflicts better so as to facilitate knowledge transfer, i.e., a constructive outcome, and avoid anger and distrust caused by disagreements over daily tasks or use of resources and talents in the company. The integrating strategy had positive outcomes on the post-conflict situation variables, where family members had a great deal of respect for each other (p = 0.00), exchanged information that they would otherwise not be aware of (p = 0.023), with

the ability to move the business forward (p = 0.010), and were able to make decisions that increased efficiency (p = 0.020). When it comes to succession planning, this strategy had a positive outcome on the planning and announcement of the last will (p = 0.028). The obliging strategy had negative effects on succession planning. In terms of the transfer of knowledge, it enabled a better division of tasks, improved future planning, and provided a better insight into new opportunities and potential problems.

An obliging owner delays succession planning because he tries to avoid potential quarrels between family members, and often sacrifices company success to satisfy his family’s or employees’ needs (Sorenson, 1999). Another reason for not planning succession may be that the obliging leader views potential successors as a competitive threat. In the compromising strategy, the conflicting parties give up something to reach a mutually acceptable decision (Rahim & Bonoma, 2002). When it comes to succession planning, this strategy had a positive outcome on planning and announcing the last will (p = 0.028). This strategy had positive outcomes for knowledge transfer, but less so for the planning and announcing the last will, that is, it was not statistically significant according to the results of the conducted research. Certainly, it positively affected planning for the future (p = 0.038), exchange of information they would otherwise not be aware of (p

= 0.035), and gained insight into new opportunities for job advancement ( $p = 0.010$ ). Family businesses that are too obliging or compromising can overlook important business issues, focusing more on family relationships, and thus fail to make an optimal business decision. Hypothesis H1 is partially confirmed because statistically significant results were found only for the integrating strategy. Hypothesis H2 suggests that “the more the owner relies on the dominating and avoiding strategies, the less importance is attached to succession planning and knowledge transfer”. A dominating leader is not ready to plan for succession as he would rather retain all the crucial information and decision-making powers and is, therefore, reluctant to share his knowledge. This strategy correlates negatively with the variable of knowledge transfer. In the avoiding strategy, neither side is satisfied. This strategy is usually used in conflicts about trivial matters. However, as succession planning and the transfer of essential knowledge are crucial for the survival of family businesses and are a source of competitive advantages, avoidance will not lead to a discussion of future activities, or the identification of new opportunities and potential problems, and thus will hinder or slow down the exchange of knowledge and information flow. As a result, these two strategies could weaken cooperative efforts to achieve a positive outcome for the family business. This confirms hypothesis H2.

#### 4.1 Limitations of the research

Although there are studies that address the effects of conflict management strategies on the family business (see Sorenson, 1999; Van de Vliert et al., 1995), their results are biased, given that only the owners' perceptions of the conflict in the company are considered. Bearing this in mind, this study looks also at the views of family business successors. In most of the companies that participated in the survey, first-generation owners maintain some influence, so it cannot be established with any certainty whether the succession was successful, but only how much importance is attached to succession planning. Given that similar research has not been conducted thus far in Bosnia and Herzegovina, one of the major limitations of this study is that family businesses may seem too cooperative and less dominant or autocratic when compared to the results of research conducted in other countries. To remedy this, the paper gives some recommenda-

tions for further research on family businesses in Bosnia and Herzegovina.

This study intended to cover three strata, the Federation of Bosnia and Herzegovina, the Brčko District, and Republika Srpska; however, 90% of the sample is from the Federation of Bosnia and Herzegovina. It is therefore recommended to conduct a survey using a larger sample and thus increase the statistical reliability of the results. Research shows that autocratic leadership best describes management behavior in the family business (Sorenson, 2000, p. 185). This study indicates different behavior because conflict management strategy used by Bosnian family-business owners and their successors appears to be more flexible and cooperative. Family members, especially owners may have tried to present themselves in the best possible light so that their businesses and their business practices appear socially desirable. Another limitation is that this survey did not take into account the gender of the respondents and possible differences between male and female respondents in managing conflict. However, there are studies that address these differences in the context of conflict management strategies in the business environment which have provided evidence that male respondents prefer to use the dominating conflict management strategy while female respondents, prefer the avoiding conflict management style (Portello & Long, 1994; Brewer et al., 2002).

## 5. Conclusion

Conflict management in family businesses requires special attention because family members must continue to work together, they tend to share the same long-term goals and have simultaneous membership in several intersectoral systems, not just the one in which the dispute occurred (Kaye, 1991). Conflicts in family businesses take a variety of forms, such as disagreements over content or decision-making issues or personal and emotional disputes (Kellermanns & Eddleston, 2004). This study provides insights into conflict management strategies used in the family business and their impact on succession planning and knowledge transfer. The two conflict management strategies with the highest relative means are integrating and obliging strategies. The integrating conflict management strategy reflects the needs and priorities of others with family members seeking to meet each

other's needs by searching for acceptable compromises. This approach implies an open exchange of knowledge, with open and detailed discussions of opposing views.

The high means for integration strategy suggest that the primary goal of a successful family business is to fully address the concerns of all parties and satisfy the needs of family members. When integration is not possible, family businesses rely on the obliging strategy to resolve conflicts. This study reports a low level of dominance and compromise among family business owners and successors. Any conflict management strategy can be useful if used at the right time, that is, in the appropriate situation.

In this context, Rahim (2002) emphasizes the importance of situational approach as "the hallmark of contemporary management" which "has replaced the simplistic 'one best' approach". Leadership effectiveness depends on matching strategies with situations. Failure to do this will lead to ineffective leadership and conflicts. Therefore, integrating and to some extent obliging strategy are appropriate for encouraging knowledge sharing, for building mutual trust, and for dealing with strategic issues, such as succession planning. Avoiding and compromising strategy can be used to deal with tactical or day-to-day problems, while dominating strategy should be used with caution so as not to sacrifice the key elements of family business success.

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