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# Managing Cultural Diversity and Conflict in Family Businesses: An Organizational Perspective

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**Abstract:** This study aims to investigate the occurrence of conflicts in family businesses, particularly focusing on their impact on founder behavior and organizational culture. Conducted in Bosnia and Herzegovina, the research employs a qualitative methodology to gain an in-depth understanding of conflicts within family businesses. The study utilizes semi-structured interviews as the primary data collection tool, engaging with 5 founders and 12 successors across various family owned businesses. The sample, comprising 17 participants, offers diverse perspectives on conflict dynamics between founders and successors. The interviews, designed to explore recurring key themes, delve into the nature and characteristics of task and process-based disagreements within these family enterprises. Key findings from this study include the observation that task or process-based disagreements, commonly arising between family members, can act as catalysts for founders to re-evaluate their behavior, potentially influencing the shaping of the organizational culture. The research highlights the importance of fostering a culture of open communication, critical thinking, and respect within family firms. Such a culture can play a significant role in reducing relationship conflicts and aid in reaching constructive resolutions. Additionally, the study reveals that the features of organizational culture within family businesses can be instrumental in managing conflicts effectively. This research underscores the complexity of family relationships in business settings and emphasizes the necessity of examining these dynamics from multiple angles. Given the prevalence of family members in key positions within family firms, the study sheds light on the importance of addressing diversity and conflict among family members, considering their long-term implications on the culture and future of these firms.

**Keywords:** family business; conflict; organizational culture; founder; successor; diversity

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## 1. Introduction

Family firms play a key role in the economic growth and employment of any country (De Massis et al. 2018; Basco et al. 2021). Thus, over 50% of companies opened in European countries are family businesses (Rotaru et al. 2020). A small number of family businesses survive beyond the first generation and succeed as independent bodies to the third or fourth generation (Mokhber et al. 2017). Reasons for the deaths of family businesses range from inadequate economic situation, insufficient capital and resources, incompetent management to many generational or family related factors that affect the sustainability of these businesses (Bednarz et al. 2017; Moreno-Menéndez et al. 2022). Despite the undisputable importance of family firms, scholars are debating about the distinctive features that make them different from non-family firms (e.g., see Dawson and Mussolino 2014; Zajkowski et al. 2022). Several authors argued that culture of family businesses plays an important role in determining whether the firm continues successfully beyond the first generation (e.g., Dyer 1988; Vallejo 2008). As family firms' culture is by some authors seen as a strategic resource that can sustain their competitive advantage (Zahra et al. 2004; Vallejo-Martos 2011; Laforet 2016) and improve firm performance compared to non-family firms (Denison et al. 2004; Sánchez-Marín et al. 2015; Raitis et al. 2020), understanding cultural patterns might have critical importance for the success of family firms.

Organizational culture refers to the coherent pattern of beliefs and values that represent common solutions to major organizational problems (e.g., Schein 1983), where cultural values act as wide-adopted norms of behavior (Tipu 2018). In family firms, organizational culture is greatly shaped through the processes of intergenerational interaction (Cherchem 2017; Magrelli et al. 2022). However, although generations are a constitutive element of family firms, a full understanding of all repercussions from their involvement in family business is limited (Magrelli et al. 2022). For example, intergenerational differences in the workplace are a well-documented source of conflict (Urick et al. 2017; Hirsch 2020), resulting with the finding that family firms experience conflicts even more often than other companies (Großmann and Schlippe 2015; Caputo et al. 2018). As founders often desire to retain family control even past their tenure, in the course of intergenerational transition and succession, tensions can occur between the need to honor the founder's vision of the firm or adapt to the vision of the children/successors (Suddaby and Jaskiewicz 2020), as well as other value tensions between family members (Raitis et al. 2020) due to diversity and different perspectives. Considering the occurrence of conflicts in family firms, existing academic papers seek for a qualitative, in-depth-analyses of conflicts in family firms that are currently lacking (Großmann and Schlippe 2015). This paper attempts to fill this research gap, but also takes a step further as it seeks to examine the effects of such intra-family conflict dynamic on the organizational culture in family firms. In order to contribute to this stem of research, paper proceeds with two research questions.

The first research question that is to be answered with this work is: what are the sources and types of intergenerational conflict in family firms? Some conflicts can strengthen the cohesion of the family unit and facilitate choices for both the business and the family (Kellermanns and Eddleston 2007). Yet, conflicts and conflict resolution strategies amend the social systems within organization, thus by applying the systems theory of organization, reaction and adaptation might occur (Vallejo 2008; Großmann and Schlippe 2015; Piekarczyk 2017; Tipu 2018), leading to changes in the accepted behavior rules. Namely, conflicts due to values and aspirations of the many generations involved in family firms (Hall et al. 2001; Vallejo 2008; Sindakis et al. 2022) might give rise to self-reflection and create positive change in founders' perceptions and behaviors (Speakman and Ryals 2010). By adopting conflict transformation approach, such conflicts become a force that leads to constructive change due to the energy created by conflict (Lederach and Maiese 2003). Given the importance of founder centrality in organizational culture research (Schein 1983; Tipu 2018), Sindakis et al. (2022) argued that applying cognitive theory and investigation of individual perceptions and reasoning in future studies could be beneficial. In that sense, this paper questions whether conflicts can trigger founders to change behavior patterns and in this way shape cultural elements, especially those layers of culture such as patterned ways of behavior and values; leading to second research question: what roles do intergenerational dynamics between founder and successors and conflict resolution have on cultural patterns in family firms?

To respond to the research questions, 17 in-depth interviews were conducted with founders or successors of first-generation family firms in Bosnia and Herzegovina.

This paper proceeds as follows: after a literature review about the origins of culture among family firms and the occurrence of conflicts, methodology of research is presented. The discussion part includes the analysis of key findings and its alignment with previous research results. The conclusion of this paper offers important insights with respect to culture formation following conflicts among first-generation family firms.

## 2. Literature Review

### *2.1. Features of Organizational Culture in Family Firms*

Four decades ago, in his seminal work on organizational culture, Schein (1983) recognized that firm founders strongly impact the evolution of organizational culture, as later confirmed by several studies (e.g., see Hall et al. 2001; Tipu 2018; Sindakis et al. 2022). According to Schein, entrepreneurs have a clear idea of what they want to achieve and how should the organization they manage behave. All this leads to imprinting founder's vision, leadership, and decision-making onto the firm (Davis and Harveston 1999; Chua et al. 2004) and manifesting founder's personality in family firm values and organizational culture. Adopted values further define firm's operating style and response to change (Tipu 2018) and serve as a driver of entrepreneurship and growth (Raitis et al. 2020). Family firms are known for their strong and value-based cultures (Sindakis et al. 2022), where adopted values define corporate aims and provide a common basis for dealing with disagreements, challenges, and new initiatives. Through intergenerational transmission these are then passed to new generations in leading positions (Bika et al. 2019) and become a central element of culture, and a foundational element in decision making (Herrera and de las Heras-Rosas 2020; Suddaby and Jaskiewicz 2020).

Family firms, especially first-generation family firms, most often develop paternalistic culture (Dyer 1988). Such culture is unique as it emphasizes the founder's centrality and family's legacy, which fully confirms Schein's assumption that founders have a prevailing impact on shaping family firm culture. Research has found that a paternalistic founder-centered culture type does not always have a positive impact on firm performance, especially among SME family firms (Laforet 2016) leading to finding that holistic view of family firms overlooks the fact that these firms are not a homogeneous entity (Heck 2004; Westhead and Howorth 2007; Węcławski and Żukowska 2019). Furthermore, the adoption of a specific cultural configuration will provenly vary according to the family culture, its diversity of beliefs, values, goals, history, and the social relationships of the family itself (Hall et al. 2001; Heck 2004; Tipu 2018) indicating that family ties have a role in shaping culture within family firms (Magrelli et al. 2022). Additional family related determinants of family firm culture include the level of family involvement in business, meaning is the firm only owned by the family or also managed by the family (Denison et al. 2004; Sánchez Marín et al. 2016), the type of family domination (one or several members), degree of openness and cultural explicitness (Hall et al. 2001), as well as other external pressures (Raitis et al. 2020). Clearly, the interplay of internal and external constituencies impacts on the change in family firms' culture and values over time (Hall et al. 2001), and the shuffling of family relationships should be further investigated.

Generational transition and succession, a unique feature of family firms, has also been recognized as a force with potential to shape culture (Vallejo 2008; Cherchem 2017). The number of generations involved in the business is thus relevant factor while discussing family firms' culture (Chirico and Nordqvist 2010). Participation of all groups involved in family business, relationships based on trust, stimulating dialogue, and negotiation might be useful to achieve harmony and minimize conflicts (Vallejo 2008). However, evidence shows that multi-generational family firms can be prone to conflicts among family members (see Frank et al. 2011), therefore conflicts in family firms need further attention.

### *2.2. Conflicts in Family Firms*

Involvement of the family in business is often portrayed both as a special feature of the family business and as an important source of conflict in these businesses (Qiu and Freel 2020). When family and business are mixed, many positive effects arise; such as family health and prosperity, above-average company performance, better employee retention, socially responsible business, and environmental care (Pieper et al. 2013). On the other hand, while work can meet a family's needs for income, job, and personal fulfilment, human and financial resources can cause a rift in the family system. Likewise, although family members can provide a skilled and loyal workforce at work, family conflicts and nepotism can penetrate business and worsen company performance (Pieper et al. 2013; Maharajh et al. 2023).

Two commonly found types of family stipulated conflicts are process and task conflicts (Frank et al. 2011; Jehn 2014). Task conflicts occur in the form of disagreements among family members about goals, strategies and the content of the task being performed, including differences in views, ideas, and opinions (Iqbal and Fatima 2013); often occurring between family members due to generational diversity. Process conflicts refer to disagreements about how the goals should be achieved (Kellermanns and Eddleston 2007). When more generations get involved in the family business both task and process conflicts tend to increase, yet these are expected to be functional conflicts, unlike interpersonal relationship conflicts which have been found to decrease the performance and satisfaction of all parties involved in the family business (Kellermanns and Eddleston 2007; Rosecká and Machek 2023). Task and process conflicts have an ambiguous role in the family business literature. On the one hand, scholars argue that these conflicts can stimulate creativity and improve decision-making processes (De Dreu and Weingart 2003; Kellermanns and Eddleston 2007), while earlier authors (e.g., Harvey and Evans 1994) highlight the detrimental effects of these conflicts on organizational performance and employee satisfaction. This contradiction in perspectives highlights the need for a more detailed and nuanced investigation into the specific manifestations of task and process conflicts in family businesses, along with their distinct effects.

Family businesses' founders have a crucial role in creating an environment that encourages successors to learn from experience, accept their own mistakes, develop their self-confidence and managerial autonomy and purse family business continuity (LeCounte 2022). But, on the other hand, the existence of excessive and inappropriate engagement of the previous generations can cause social disruptions and a higher level of conflict in the organization (Moreno-Menéndez et al. 2022). This interference may be even more noticeable in the case of succession, given the great influence the founder has on the culture and processes of the company and his resistance to leaving the company (Rhodes and Lansky 2013).

The challenges that come with "intergenerational change" in family businesses are unique and require a different approach depending on the characteristics of the incoming generation. Conflict can arise in this period for various reasons, with differences in values, priorities, and diversity during intergenerational succession being one of the most significant factors (Gómez-Mejía et al. 2007). The incoming generation may have different values and priorities than the older generation, leading to disagreements about the direction and goals of the business. For example, the older generation may be resistant to change while the incoming generation may want to introduce new technologies, business models, or expansion strategies (Klein et al. 2005). This can create tensions and conflict within the family, as both generations struggle to reconcile their different views. A power struggle can especially arise during intergenerational succession as the outgoing generation may be reluctant to give up control, while the incoming generation may feel frustrated with their lack of decision-making power (Miller and Le Breton-Miller 2021). This power imbalance can create conflict with numerous consequences, including the effect on culture.

Generations may struggle to communicate effectively due to differences in communication styles or a lack of trust (Sharma et al. 2003), leading to another factor contributing to conflict during intergenerational succession. Lack of communication can lead to misunderstandings and conflict, making it difficult to develop a clear succession plan. Finally, emotional attachment also contributes to conflict during intergenerational succession. The outgoing generation may have an emotional attachment to the business, making it difficult for them to let go of control (Davis and Harveston 1999), which can create conflict and make it challenging to develop a clear succession plan.

The literature has often disregarded the crucial aspect of conflict resolution approaches in family businesses. A study by Alderson (2015) attempted to address this gap by shedding light on the diverse strategies employed by family firms to manage conflicts effectively. The research emphasizes the importance of understanding how conflict resolution approaches can influence the long-term sustainability and success of these businesses. If managed appropriately, conflict can lead to opportunities for growth and innovation within the organization (Lederach and Maiese 2003), contribute to the development of new perspectives, and ultimately result in a stronger, more resilient family business (Caputo et al. 2018). The ability to identify conflict and deal with resolution processes is often beyond the managerial skills or time of the family member. Conflict that is not addressed and is allowed to linger in the family business or with the external constituents may create problems that are very complex (Qiu and Freel 2020). Resolving these conflicts, and ultimately improving the health and resilience of families and their businesses, hinges on timely identification and subsequent treatment of potential problems resulting primarily from the business's impact on and interaction with the family system (Danes and Lee 2004).

### *2.3. Implications of Conflicts in Family Firms*

Family businesses' unique dynamics can give rise to conflicts that may be difficult to resolve (Chua et al. 2004). These conflicts arise due to a variety of factors, including competing goals and interests, power struggles, and emotional entanglements (Davis and Harveston 1999). The outcomes of conflicts have significant implications for the long-term success and sustainability of the family business. When conflicts remain unresolved or are not handled properly, they can lead to bitterness, resentment, and a breakdown in communication between family members (Gómez-Mejía et al. 2007; Claßen and Schulte 2017), which not only damages the business but also the family's overall well-being. In some cases, unresolved conflicts may even result in family members leaving the business or selling their shares, leading to a loss of expertise, knowledge, and valuable resources (Sharma et al. 2003). On the other hand, many conflicts have positive outcomes, such as increased innovation, improved decision-making, and enhanced creativity (Danes and Lee 2004). Conflict can stimulate change and bring attention to issues that may have been previously ignored or overlooked, leading to growth and development in the family business. In some cases, conflict may even serve as a catalyst for generational renewal and succession planning, helping to ensure the long-term continuity of the family business (Ward 2011). Family members from different generations may resist open knowledge sharing with each other if their relationships are marked by greater conflict due to diversity in experiences and viewpoints (Woodfield and Husted 2017).

The resolution of conflicts in family businesses depends on several factors, including the nature of the conflict, the degree of emotional involvement, the diversity of perspectives, and the willingness of family members to engage in a collaborative problem-solving process (Klein et al. 2005). Managing conflict in an integrative manner reflects the needs and priorities of others (Song and Wang 2013), with family members seeking to satisfy each other's needs by seeking acceptable compromises. This approach involves open knowledge exchange across generations, with open, detailed discussions of opposing views (Alper et al. 2000). In contrast, using domination to manage conflict carries low concern for the preferences of family members and members of other generations (Song and Wang 2013). In a family business, the role of predecessors can be a determinant in creating an environment that encourages successors to learn from experience, accept their own mistakes, and provide a place where significant progress can be made in the development of their confidence and managerial autonomy (Calabrò and Mussolino 2012). Creating a culture of learning and growth within the family business can facilitate this process (Urick et al. 2017). Establishing effective conflict resolution policies and procedures, including the use of family councils, independent advisors, and other third-party resources, might help mitigate the negative effects of conflicts (Klein et al. 2005).

## 3. Materials and Methods

### *3.1. Contextualization*

This study utilizes qualitative methodology using thematic analysis for exploration as this approach allows researchers to better understand the feelings of the individuals involved in the research (Braun and Clarke 2006). The research sheds light on the sources and types of intergenerational conflict in family firms, and the resolution of these conflicts. The background of the study is rooted in the significance of family businesses, which play a vital role in the economic development of countries, including Bosnia and Herzegovina. The analysis begins with creating a framework based on the conceptual dimensions highlighted in the previous literature review (Charmaz 2014).

### *3.2. Sample Selection*

For this study, data were gathered through 17 in-depth, semi-structured interviews conducted with family business members located in Bosnia and Herzegovina. When choosing suitable participants for this research, they were sought founders and successors who were ready to openly talk about conflicts. The selection of family business was based on the following criteria: (1) does the firms declare themselves as a family business; (2) is a family business owned by one family, (3) are there at least two generations of the owning family involved in the business. After setting the criteria authors starting contacting firms. Of the approximately 30 family businesses contacted to volunteer for the interview, 10 firms agreed to participate in the study. Random sample strategy was used for hiring respondents, where each individual has an equal and similar probability of selection (Creswell 2013). Such randomization of sampling generates results that diversify the database result and thus has greater implications for generalization in larger population samples. Respondents were selected based on their status in the family business, only founder and potential successor of the business were included. Age, gender, and other demographic characteristics, as well as the size of the business were not restrictive. A total of 12 successors and five founders were interviewed.

To increase the variation relevant to research questions, a sampling method that considered several factors such as the employee status, firm size and age of the firm was employed. This allowed to capture diverse perspectives and experiences from respondents. To gain a comprehensive understanding of intergenerational conflict, founders and successors from the same company were interviewed (Interviewees 2 and 7, Interviewees 4 and 17, Interviewees 5 and 6, Interviewees 10, 11, and 12, and Interviewees 13 and 14). Although it was attempted to interview both owners and successors from each company, not all founders were willing to participate resulting in a discrepancy in the number of owners and successors. Despite respondents being familiar with each other, interviews were conducted separately to ensure unbiased responses. Research has shown that founders may be reluctant to discuss certain aspects of their business, particularly those related to succession planning and conflict resolution, possibly due to the feelings of ownership, attachment, and identity that make them resist delegating authority or surrendering control to successors (Davis and Harveston 1999). In contrast, successors may have a different perspective on these topics and may be more willing to discuss them openly and may have a more realistic view of the business, less biased by their personal history and the past successes of the business, which can make them more open to discussing succession and conflict resolution (Zahra et al. 2004). Therefore, by allowing for a flexible approach in the number of founders and successors interviewed, the researchers were able to obtain more realistic and honest answers from the interviewees. Table 1 provides a summary of the sample, which includes both founders and successors belonging to the same organization.

**Table 1.** Employment status and demographic information of family members.

| | Gender | Employment Status | Firm Size | Firm Age | Primary Industry |
|---|---|---|---|---|---|
| Interviewee 1 | F | Director/successor | 32 | 8 | Hospitality industry/tourism |
| Interviewee 2 | M | Director of finance/successor | 40 | 27 | Manufacturing |
| Interviewee 3 | F | Founder | 3 | 16 | Retail sales |
| Interviewee 4 | M | Executive director/successor | 114 | 27 | Retail and service |
| Interviewee 5 | M | Founder | 90 | 26 | Manufacturing |
| Interviewee 6 | F | Executive director/successor | 90 | 26 | Manufacturing |
| Interviewee 7 | M | Founder | 40 | 27 | Manufacturing |
| Interviewee 8 | M | Director/successor | 25 | 18 | Retail sales |
| Interviewee 9 | M | Director/successor | 3 | 16 | Retail sales |
| Interviewee 10 | M | Founder | 5 | 27 | Haberdashery |
| Interviewee 11 | M | Employee/successor | 5 | 27 | Haberdashery |
| Interviewee 12 | M | Director/successor | 5 | 27 | Haberdashery |
| Interviewee 13 | M | Founder | 2 | 50 | Manufacturing |
| Interviewee 14 | M | Director/successor | 2 | 50 | Manufacturing |
| Interviewee 15 | M | Managing director/successor | 7 | 19 | Media and Broadcasting |
| Interviewee 16 | M | Director/successor | 6 | 33 | Retail sales |
| Interviewee 17 | M | Forwarding manager/successor | 114 | 27 | Retail and service |

Source: own study.

### 3.3. Interview Process

Data were collected by using semi-structured interviews. A key consideration in selecting interview participants was the involvement of the second generation in the family business. The semi-structured interview process consisted of both general and open-ended questions, aimed at stimulating narratives about significant turning points and conflicts in the history of the family businesses. The initial questions were general in nature, with the aim of establishing a rapport and creating a comfortable space for the interviewees to share their personal associations and narrative threads. As the interview progressed, more sensitive questions were asked about intergenerational conflict, building on the earlier responses to generate more in-depth discussions. The intention was to allow the interviewees to share their experiences and insights while also creating the opportunity for the researcher to delve more deeply into specific themes and topics. All 17 respondents were interviewed individually, and their identities were disguised: they were named by pseudonyms. Most interviews were conducted at the respondents' workplace. The interview session lasted between 30 min and two hours. Interviews with some founders lasted more than expected, mostly because they were less open to talking about conflicts, so authors used additional questions to gather sufficient information. All interviews were conducted in a friendly environment, with authors being in the position of a listener striving to maintain a comfortable and stimulating environment and not affecting answers. All interviews were conducted in the participants' native language.

### 3.4. Coding and Analyzing

To conduct the coding process and analysis, the grounded theory approach was employed (Strauss and Corbin 1998). Such approach involves a systematic and iterative process of data collection, analysis, and interpretation, with the goal of generating theory that is grounded in the data (Charmaz 2014). Interviews with family business founders and successors were transcribed and analyzed using a coding scheme. We started by reading through the interview transcripts to familiarize ourselves with the data. We then used an inductive approach to coding, allowing the themes to emerge from the data rather than imposing preconceived categories onto the data (Charmaz 2014). Meaningful units of data were identified and assigned with descriptive labels. This process continued until saturation, or the point at which no new codes or themes emerged from the data. As the data were coded, patterns and connections between the codes started to emerge. Axial coding was used to group related codes together and develop broader categories, or themes. Axial coding involves linking categories based on their relationships to one another, such as how they are related conceptually, causally, or chronologically (Strauss and Corbin 1998). Through the axial coding process, different types of conflicts present in the data were identified and categorized into three main types: generational differences, task conflict, and relationship conflicts related to family matters (see Table 2). We then examined the causes and consequences of each type of conflict. To categorize the causes of conflicts, we searched for recurring patterns in the responses and identified four main categories, encompassing the diversity of generational differences in ideas and ways of doing things, resistance to change, personal feelings, and lack of openness and honesty. We then analyzed the consequences of conflicts, which often included conflict resolution and the adoption of new values.

**Table 2.** Coding scheme.

| Types of Conflicts | Causes of Conflicts | Consequences of Conflicts |
|---|---|---|
| Generational differences | Diversity in ideas and approaches due to generational differences | Conflict resolutions, adopting new values |
| Task conflict | Resistance to change, lack of openness and honesty | Improved communication and collaboration, increased productivity |
| Relationship conflicts | Personal feelings, lack of clear communication, succession planning disagreements | Strained family relationships |

Source: own study.

## 4. Results

The study involved 17 participants from diverse family businesses in Bosnia and Herzegovina. This group consisted of 5 founders and 12 successors, providing a balanced view of both the established and upcoming generations in family businesses. Among the participants, there was a gender distribution of 13 men and 4 females. The successors, comprising 70% of the participants, brought fresh perspectives to the research, while the founders, representing 30%, offered insights rooted in experience and tradition. The successors' ages ranged from early 30s to mid-40s, indicating a younger cohort taking up strategic roles in these family firms. The founders were predominantly in their 60s and 70s, providing a contrast in generational viewpoints. The participants held various roles within their firms, ranging from directors and CEOs to deputy directors, highlighting a wide spectrum of managerial and leadership experiences. The firms varied in size, with employee numbers ranging from 2 to 114, indicating a mix of small to medium-sized enterprises. These firms operated in various industries, including hospitality, manufacturing, retail sales, haberdashery, and media and broadcasting, and had been in operation for periods ranging from 8 to 50 years. Three specific topics, corresponding to research questions, emerged as a part of interviews with owners or successors of family firms: conflicts in family firms, resolving conflict situations, and the possible role of conflicts in shaping patterned behaviors.

### *4.1. Sources of Conflicts in Family Firms*

Survey participants were first asked about the occurrence of conflicts within family firms, namely conflicts among family members. Family members working in family companies are expected to fulfil dual roles, being a family member and an employee which, in combination with intergenerational differences, can create tensions and possible role conflicts (Memili et al. 2015). The inseparability of business and family roles (Hall et al. 2001) and intergenerational gap was often emphasized during interviews, and seen as the possible source for conflicts, both by firm founders and successors. As stated by Respondent 6 (director, 33, successor): *"There have been a million conflicts and there always will be. (. . .) There is always this generational conflict, that's normal. When you have this conflict both at work and at home, it is simply impossible to separate it"*. Respondent 6 (director, 33, successor) stated: *"You have your ideas, the older generations have their way of doing something for so many years, now imagine someone 15, 20, 30 years younger comes along and says I would change it like this now. I understand the existence of some resistance"*. A similar scenario was confirmed by Respondent 3 (34, successor, deputy director): *"There are some conflicts between us, because we have different characters and we see business issues sometimes differently (. . .) And then sometimes conflicts occur"*. Generational conflict is a common type of conflict in family businesses (Gómez-Mejía et al. 2007), arising due to the differences in values, goals, and perspectives of different generations within a family business (Davis and Harveston 1999). This research fully supports previous findings (e.g., Memili et al. 2015) claiming that the interaction of professional and private roles creates potential for conflicts.

Several respondents argued that conflicts often occur specifically in the period when successors enter family businesses. *"My ideas are lately mostly accepted, but it was not like that when I arrived to the company"* (Respondent 2, successor). Respondent 6 (director, 33, successor): *"I had several conflicts with my father in the first year or two, more than in the next 15 years, because it was that period of adjustment (. . .). Today there are some decisions I disagree with, there are some decisions with which he disagrees, but today we can accept that"*. This is consistent with previous research that has highlighted the challenges posed by intergenerational transitions in family firms (Hall et al. 2001). Following basic assumptions from systems theory of organization, such conflicts can be seen as a force that changes the existing status quo and shapes new behavioral patterns (Großmann and Schlippe 2015). Founders who may be entrenched in traditional ways of doing things (Memili et al. 2015) are at these times confronted with new ideas and ways of behaving. As family firms often have a strong culture and tradition that is passed down from the founder, tensions between generations can lead to collaboration and learning (Urick et al. 2017), but also changing existing behavior in the social systems through communication and willingness to accept the diversity of perspectives.

When types of conflict are considered, task conflicts often arise among family firms (Kellermanns and Eddleston 2007) and respondents find such conflicts stimulative for firm performance. *"There are a lot of technical conflicts. . . I have my opinion and he has his. . .Conflicts are very good for business; we have improved our production and design. I am not perfect. . ."* (Respondent 10, 74, founder). *"We had conflicts when we were deciding on new investments. . ."* (Respondent 5, 65, founder). Presented research findings indicate that first-generation family firms mainly suffer from process and task conflicts, which supports previous findings by Frank et al. (2011). Conflicts on investment decisions, as an example of task conflicts (Jehn 1997), can be beneficial for businesses as can lead to a more in-depth analysis of the problem and ultimately improve decision-making (Jehn 1997). In such cases, conflicting opinions can lead to debates on the best course of action, reexamining existing behavioral patterns and embracing new values if new solutions are often repeated (Schein 1983).

Some conflicts in family firms can be related directly to family matters and family relationships. As simply put by Respondent 15, 32, successor, director: *"Family is the basis for everything. If it works in the family, then it will work in business (. . .) The biggest conflict we had was about my father's will. My brother had never interest to take part in the family business. I said several times that I wanted (. . .) the company, so that I would know why I work, and that my brother should not have anything with this (. . .) Some hard personal feelings were touched. I was considered selfish. (. . .)"*. The latter quote highlights the importance of family dynamics in the success of a family business. This example of a relationship conflict that can arise in a family business setting could have significant negative impacts on both the business and the family, which confirmed Qiu and Freel (2020) findings. The importance of family dynamics in the success of family businesses cannot be overstated, as research has shown that unresolved conflicts in family firms can lead to decreased family unity, decreased business performance, and even have the potential for the business to fail (De Massis et al. 2018). Therefore, it is essential for family businesses to develop effective conflict management strategies that take into account the complex interplay between family and business roles (Gómez-Mejía et al. 2007).

### *4.2. Resolution of Conflicts in Family Firms*

Due to different personal or business-related clashes, conflicts within families can occur anytime and impact relationships between family members but also impact firm performance in a positive or negative manner: "*There are always these little things that gets on the way, but my motto has always been, to sleep over and tomorrow with cold heads have an argue*", Respondent 7, 67, owner. Addressing conflict when emotions to settle down, and approaching the disagreement with a clear and rational mindset (Bodtker and Jameson 2001) can prevent rash decisions or hurtful words that could further damage the relationship between family members. Giving both parties time to calm down and approach the situation with a rational mindset can lead to a more productive and constructive conversation and potentially finding a mutually acceptable solution (Lerner and Keltner 2001). Family members should be open and honest with each other. As Respondent 10, 74, owner, stated: "*When he (son, successor) makes a decision, if I think it's right, I will support him. If I don't think so, I will let him to proceed with the decision and its consequences on his own*". By showing such respect for successors' decision-making abilities, founders support a culture of trust, autonomy, and decision-making. Trust has been found especially important for effective collaboration and problem-solving in order to avoid conflicts (Gómez-Mejía et al. 2007) that may arise from trying to control or micromanage someone else's decisions.

Since family firms, especially first-generation firms, are strongly dominated by the founder, conflicts can in fact be the necessary force that will motivate the founders to re-examine their behavior and thus have an impact on shaping organizational culture. However, for conflicts to act in this way they should not be left unresolved (Kellermanns and Eddleston 2004). Respondents 3 (34, successor, deputy director) stated that conflicts in family firms are mostly resolved "*with compromise. . . .We always reach a compromise*". When conflicts in family firms occur, there is a stronger motive to resolve them immediately so that they do not spill over to the relationship conflicts among the whole family: "*in particular, I must not allow a conflict to arise between my daughters and their husbands*", as stated by Respondent 5, 65, owner.

The overall effect of conflicts on firm functioning and group behavior patterns will depend upon the attitude of the involved family members, especially founders. Interestingly, most owners showed high level of openness to change: "*I am not perfect. Mistakes happen. . .*" (Respondent 10, 74, founder), which is a necessary requirement for embracing a change in cultural patterns. Founders also showed a high acceptance of possible disagreements and a positive view of such events. "*Sometimes we don't see our failures, and the experience is needed. (. . .) these things are quite normal—two opinions cannot be identical; you need to have the ability to learn something from it. (. . .) If you like what you do, you can always learn something in every situation and improve yourself, and by that improve your business*" (Respondent 10, founder). Interviews suggest that the conflict resolution approach being exhibited is one of acceptance and learning from mistakes (Thomas and Kilmann 2002). Respondents acknowledge that disagreements and failures are normal and inevitable, and instead of avoiding or denying them, they see them as opportunities for growth and improvement (Rahim 2017).

### *4.3. Conflicts and Shaping Organizational Culture*

The role of organizational culture in handling how employees behave in conflict situations has been widely accepted (e.g., see Di Pietro and Di Virgilio 2013). However, this paper took an alternative view, as it examined whether conflicts might have a role in shaping and perpetuating culture. Such a view was grounded in conflict transformation theory

(Lederach and Maiese 2003) that recognizes conflicts as a motor of change. Considering the undisputable role that founders have in shaping culture (Schein 1983; Dawson and Mussolino 2014; Tipu 2018), this paper treats conflicts as a force that might motivate founders to change their behavior, and subsequently shape culture. We argue that founders, in order to resolve conflict, might seek to change conditions that give rise to conflict, which leads to a change in their behavior. This collaborative or integrative conflict resolution style, where parties seek mutually beneficial solutions and work together to achieve common goals might lead to embracing cultural values like open communication, active listening, and a willingness to understand and address underlying issues.

Creating a culture of learning and growth within a family business is essential for promoting effective communication, collaboration, and problem-solving (Eddleston et al. 2012). Founders have been found to have a strong impact on shaping organizational culture, as interaction between leaders (founders in family firms) and organizational members leads to behavior patterns that enact and create culture (Schein 1983). Several behavioral patterns, enhanced by the diversity of thoughts and experiences, were emphasized by respondents as important for family firms: openness, compromise, hard work, and continuous learning and adaptation to change. Many successors relate these to founders' behavior, which confirmed paternalistic orientation and expectation that dominant culture is strongly impacted by the founder (Dyer 1988).

Hard work is necessary for the success of any firm, including family firms, and is often embedded in family firms' culture. As Respondent 14 (successor) emphasized, "*From him (father) I got used to honesty and work, to work habit and so it must be, without strong work habits you have nothing*."; or as Respondent 10, 74, founder, claimed "*Work, work, work. Keep working and adapting to changes*. (. . .) *In any job if you want to work, and so it is with any business, you have to be committed to it*". This value of hard work is often transferred from founders to successors at a very early age. As emphasized by Respondent 6, CEO, 33, successor: "(. . .) *our father made us grow up with work, we always worked, as children there was no excessive rest, waking up at noon* etc. *We were all involved in the business, and the firm was often mentioned at home*". The same experience was confirmed by respondent 5, 65, founder: "*My daughters, from the day they were high school students and during their university studies, they are involved in the work. Eventually, the whole family is involved, . . .*.". This confirms that founders transfer their value orientation on their next-generation family members and shape their behaviors and thus determine the success of family businesses and its long-term survival.

Besides hard work, in terms of values, Respondent 7, 67, founder, emphasized the importance of openness and honesty: "*Just don't hide anything, don't keep it a secret, embrace the diversity of perspectives. If everyone starts creating their own theories about some problem then every day that theory is further expanded in a negative sense (. . .), if I made a mistake, I will say why I did it, I had good intentions*".

Openness to change, especially founders' openness to change, can also act among crucial factors that can sustain family firm performance. Respondent 5, 65, founder, supports this claim*: "If the whole family had not involved in our family business, especially my daughters with their diversity of knowledge and capabilities with IT, their new perceptions of design, (. . .), I would probably remain in that part deprived, that is, the product would remain deprived of what only youth can give to firms*". On the other side, Respondent 15, 32, successor, emphasized that knowledge transfer from owners to successors can be equally important, although can also create potential tensions "*There were so many problems with knowledge transfer, but it is successful (. . .). In family businesses this generational knowledge is the most important, although each generation should be in line with its time and changes in the market, (. . .) but the main values in the family business start from home, in education, and then with joint work*".

## 5. Discussion

Following the finding from family business literature that culture in family firms' changes over time (Dyer 1988; Raitis et al. 2020) this paper explored intergenerational dynamics, namely conflicts, as a force that challenges changes in behavioral patterns that form culture. In order to further analyze the impacts and nuances of conflicts within family firms, Table 3 provides a comparative view of the perspectives of founders and successors on various aspects of conflicts, their sources, resolution, and the values they embrace as a result of these conflicts. This comparative analysis aids in delving deeper into the intricacies of intergenerational conflicts and their roles in shaping organizational culture and dynamics.

**Table 3.** Intergenerational view of firm culture and conflicts.

| | Founders | Successors |
|---|---|---|
| Conflicts among family members | Conflicts can arise due to generational differences and diversity in perspectives when successors enter the family business, wanting to implement their own ideas. Resistance to change and varied viewpoints can lead to conflicts. There can be conflicts related to family matters and specific to family relationships. Resistance to change can lead to conflicts. | The dual role, inseparability of business and family role and intergenerational gap are seen as possible sources of conflicts. These conflicts are accentuated by diversity in perspectives and experiences. There can be conflicts related to family matters and relationships. |
| Sources of conflict | Technical conflicts can arise in business. Conflicts on technical decisions can lead to more thorough research and evaluation of options, ultimately resulting in better decision-making. | Conflicting opinions can lead to debates on the best course of action. Conflict can hurt family personal feelings. The importance of family dynamics in the success of a family business. |
| Resolution of conflicts | Creating a culture of learning and growth is essential for promoting effective communication, collaboration, and problem-solving. Embracing diversity of thoughts and opinions can enhance these processes.<br>Sleeping over a disagreement and addressing it with a clear and rational mindset can prevent rash decisions or hurtful words. | Conflicting opinions can lead to debates on the best course of action, re-examining existing behavioral patterns, and embracing new values if new solutions are often repeated. Conflicts during intergenerational transitions in family firms can be seen as a force that changes the existing status quo and shapes new behavioral patterns. |
| Embraced values | Support autonomy, openness, critical thinking and entrepreneurial orientation. | Successors are oriented towards achieving high performance, but they face difficulties in communication. These challenges can be mitigated by embracing diversity in thoughts and ideas. |

Source: own study.

Among first-generation firms, the founder's influence extends to the culture and processes of the firm (Dyer 1988; Chua et al. 2004). However, as a part of generational transmission, at some point other family members, each bringing a diversity of perspectives, will start occupying important positions in the firm. In these situations when succession is incomplete and founders are active in the firm, conflict might arise between founders and successors (Davis and Harveston 1999). This research indicates that firm founders are motivated to resolve task conflicts and consequentially rethink their actions or change their behaviors, which confirms self-reflection effect of conflicts (Speakman and Ryals 2010; Urick et al. 2017; Erdogan et al. 2020). Consequently, if leader behavior as a source of culture is modified, a cultural adaptation is stimulated (Tipu 2018). More precisely, task conflict among founders and successors, enriched by the diversity of their perspectives, becomes a valuable source that might initiate some changes in the culture of family firms leading implementation of values such as openness, critical thinking, and supporting autonomy. However, relationship-based conflicts, such as transgenerational succession planning, mostly acts as a destructive conflict even in family firms as it inhibits open communication and decision making, as reported by successors participating in this research. Therefore, the type of culture that will be ultimately developed in an organization, among others, depends on leadership behavior with respect to conflicts. Successors could stimulate conflict with founders to encourage positive change through conflict management and resolution and in this way create stimulus for culture adaptation.

## 6. Conclusions

Scientific research of family firm culture is limited, and especially limited among first-generation enterprises (e.g., see Węcławski and Żukowska 2019). The research on the intersection of conflicts and organizational culture among first-generation family businesses in Bosnia and Herzegovina has shown the widespread presence of small-scale task conflicts among family members. By taking into perspective that among first-generation family firms culture is highly founder-oriented, the introduction of successors acts as a turning point in the process of shaping culture as successors might have their "own way of doing things" causing conflicts with founders. Research results are thus aligned with earlier findings arguing that, in family firms, family members easily disagree and start a conflict (Frank et al. 2011). The dominant culture of a family firm is the result of social relationships between family members involved in business (Hall et al. 2001).

Several practical findings stem from this work. Firstly, task or process-based disagreements between family members, founders, and successors need not to be prevented as these might motivate founders to re-examine their behavior and employ behaviors that will motivate internal integration or external adaptation leading to culture development. Secondly, open communication within the family through family meetings or family boards in the business could prevent the occurrence of process conflicts or help to reach a constructive resolution to existing conflicts. Finally, by knowing that features of organizational culture can be a tool for managing conflicts, in first-generation family firms whose behavioral patterns are being created, founders should be aware that their treatment of conflict might become a widely accepted way of behavior in organizations. This research should help family business owners and stakeholders to better understand the challenges of intergenerational transitions and succession planning, taking into account the added complexity and benefits of diversity, and to develop effective conflict management strategies that can promote family cohesion and business continuity.

Based on previous findings, some actionable recommendations for founders can be detected: (1) it is crucial that founders sees the diverse perspectives and generational differences as opportunities for growth, not just conflict sources; (2) adapting to change with openness and clear communication ensures a smoother transition of roles and ideas within family firms and (3) encouraging successors to take charge and make decisions enhances harmony and conflict resolution.

Several actionable recommendations for successors can also be proposed. Successors should value the variety of thoughts within the business, viewing conflicts as chances to refine strategies. Improving communication skills can significantly reduce misunderstandings. In complex situations, seeking external advice from family business experts can provide invaluable perspectives and aid in effective conflict management.

This study has several limitations that must be emphasized. Considering that all data were collected in Bosnia and Herzegovina, it must be acknowledged that all research findings about the occurrence of conflicts and the features of culture can be impacted by the national culture in Bosnia and Herzegovina, dominated by high power distance, strong collectivism, and uncertainty avoidance. This study includes only first-generation family firms where founders have a strong impact on business. Over-representation of successors in our sample may have an impact on the validity of our findings. The study's limitations also include the tendency to attract participants from businesses with more open communication styles, the potential influence of founder personality traits on conflict resolution, as well as the focus on successful, surviving firms, which might overlook insights from failed businesses.

Further research should examine other employees of family companies, specifically nonfamily members, to understand the role of diversity in shaping organizational culture and conflict resolution strategies. Similar research has not been conducted, so family businesses might have been too cooperative and provided socially desirable responses. This study has not delved into the gender dynamics among the respondents, a factor that might present nuanced insights into how male and female owners and successors navigate, manage, and resolve conflicts. We acknowledge this as a significant area that warrants comprehensive exploration to unveil potential gender-specific conflict resolution styles and approaches that are intrinsic to family business settings. For future research, it is recommended to incorporate quantitative measures such as financial performance and conflict frequency to provide a more comprehensive analysis, and to broaden the scope of the study to include a wider variety of firms, including those that did not succeed, for a fuller understanding of family business dynamics.

Furthermore, it is crucial for any upcoming research to consider a multifaceted approach, incorporating the examination of variables such as the age of the firm, its size, and the specific industry within which it operates. These factors can offer richer contextual insights and add layers of understanding to the intricate dynamics of conflict and resolution within family businesses.

We anticipate that future studies addressing these gaps will yield comprehensive insights that will significantly enhance the existing body of knowledge, providing a robust foundation for practical applications and policy formulations tailored to the unique needs and challenges of family businesses of varied sizes, ages, and industries.

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