Book Review:

Family Wars: Stories and Insights from Famous Family Business Feuds

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Grant Gordon and Nigel Nicholson in their book with the title "Family Wars: Stories and Insights from Famous Family Business Feuds" (2010) argue that in the business world, family firms are common things. Many interesting things can be learned from them. Some people say that the family business is an inimitable advantage, but there are many conflicts in it, and some of them result in business failure. In this book, the author describes the various forms of conflict and its causes, proposing how a family should deal with conflict is and how to adapt to change.

Family and family business are two different institutions that were initially led by one person, namely the head of the family who is also the business founder (leader). Over time, leaders try to prepare their children to inherit the business at a later date. The conflict begins when businesses start to get bigger and more complex, children reach adulthood, preparation for succession and changing times, all of which happen almost simultaneously. All of this depends on what the leader has done before all of that happens and how to react. So it can be said that the source of the conflict started with the personality of the leader as a businessman and parents.

In the family, the childcare model and husband-wife relationship influence the formation of the child's personality in the future. There are four models of parenting, which are a combination of love and authority, namely, authoritarian, indulgent, neglect, and educative. These models illustrate how parents develop ways of communication between members and instil good values and family culture in order to be understood by children. Furthermore, until adulthood, children also get influence by the school and social environment so that a child with a unique personality who has certain characteristics, interests and needs is formed. Good experiences (such as school performance, family harmony) and bad experiences (such as fights or divorce of parents) significantly affect the personal outcome of the child.

In adulthood, children have their way of thinking and self-concept. In this case, the parents tend not to pay attention to this, and they always think they can shape the children the way they want. Meanwhile, children who feel uncomfortable tend to rebel and get bigger in scale with age and responsibility. According to the authors, 50% of the child's personality comes from a mixture of the genes of both parents,

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and the rest is influenced by education and life experiences. This is the first thing that can trigger a conflict in the future (parent-children conflict).

In the family business, leaders tend to be hubris (large overconfidence and pride) considering the success of their business since the past. The intense nature of hubris makes leaders less sensitive to changes in the external environment, the company or their families. Almost no party can evaluate, limit or provide input on decisions and powers, especially if the executives come from their own families (nepotism). Nepotism is prevalent in the family business. The selection of family members (children, nephews, sons-in-law, etc.) to occupy certain positions is carried out through a judicial process based on the leader's instinct. Furthermore, complicated is if the leader does not have enough time to explore their personality so that the leader often makes inappropriate decisions, such as when placing his child in the company, unbalanced attention among them and others. In other words, the aspirations of family members are not really accommodated by the leaders. The author suggests that this company should have a control mechanism, governance structure and external opinions such as advisors and consultants. Without all of those things, the hubris problem could develop into a biased strategic decision-making problem, including succession.

On the other hand, from the perspective of children who start to occupy certain positions in the company, horizontal conflicts often occur between them (siblings rivalry). In general, conflicts are caused because they occupy the same space in managing company resources. Aspirational parents or leaders should be able to see this and try to make a difference between them. To minimize it, the leader must pay attention to the following matters: (1) characteristics mixture: giving different authority according to his interests and needs where they should not be in the same space, for example, one person is chosen to lead another; (2) gender: same-sex sibling has more potential to cause conflict than an opposite-sex sibling, where brotherhood has more potential for conflict than sisterhood, (3) age spacing: the greater age difference, can lead into the smaller potential for conflict, and (4) circumstance: children who are chosen to lead must be able to accommodate all the aspirations of their siblings. Sibling rivalry is a prevalent conflict in the family business and should be a significant concern for leaders, especially when making wills. The conflict can become more prominent when the leader dies because sibling rivalry has the potential to become multiple group conflicts and develop into business separation or breakup of family relationships.

Every family and family business almost always experiences the above conflicts depending on the scale. Conflict does not always have a negative connotation, because if the family company can pass it, it will make the solidarity between family members stronger and more adaptable to the changing times. In general, there are five risks of conflict that threaten family firms: (1) nepotism: making the company isolated from its external environment, (2) succession: planning and future leadership standards including non-family leaders, (3) remuneration and reward: sharing rules proceeds and sale of shares, (4) sibling rivalry: a conflict between family members, (5) retirement: rules that limit the leader's tenure, including helping to plan his post-retirement activities.

The author proposes nine ways to prevent conflict from becoming more prominent or destruction: (1) succession mechanism : so that leadership changes can run smoothly without causing damage due to conflict , (2) planning and information :

decision making is not based on judgment but has procedures and a basis for analysis so that it can be evaluated, (3) communication : there is a clear communication forum to convey the functions of each position and the common goals to be achieved , (4) family governance : a family forum for the exchange of information, views and values between family members , (5) corporate governance : the rules and procedures for determining the strategy and activities of the company , (6) education and training : equip every member of the family to have the insight and mindset to follow the changing times , (7) liguidity and exit mechanisms : to ensure the sharing of the results of the fair between family members including the decision to leave the firm, (8) conflict resolution : a particular debate forum for family members to find solutions to problems , and (9) external benchmarking : openness to get input from non-family parties such as advisors and other companies.

This book is the result of the author's research on conflict cases in family companies and is supported by theories taken from references. In this section, we provide a critical review as our response. The author mentions, research in the United States, Europe and parts of Asia showed the tendency of the family business showed a better performance of the business non-families. Some of them are world-class companies such as BMW in Germany, Clark Shoes in England, Cargill in America, Samsung in Korea. Some companies, although they have been handled professionally, still have family roles in them such as Ford, Toyota and Honda. It is also happened in Indonesia, such as Bakri Group, the pharmaceutical firms (Kalbe Farma, Sanbe, Dexa Medica), Gudang Garam, Jamu Jago and so on. They are also still in robust control by the family members of founders. Several companies were later released from family control, such as Astra and HM Sampoerna. In Indonesia, however, the company's national or international-class families mostly newly established around the time of independence. It means that the average age of companies is still young, and most of the founding fathers are still alive. They cannot be thoroughly analyzed according to the above theory of family wars.

In our opinion, the family business is very natural and very common. When someone succeeds in establishing a business, nepotism is always the first choice for filling executive positions and succession in the future. As the author has mentioned, one of the advantages of nepotism is that it has a strong emotional bond and trust between its leaders and their families. However, nepotism makes companies isolated from external ideas. Furthermore, it is tough for a family business to become a world-class company without outside professional help. The use of professionals is also not as easy as imagined because the founding father or the family at first could not entirely hand over the authority to control the company to outsiders. If this is not realized or resolved (for example, using a governance structure), then the professional is only a puppet, and the family still controls the company.

Regarding the nepotism, the decision making conducted by the executives tends to have a high risk or bias corresponding author term. According to theory, executives have the same background and high emotional ties so that the group tends to be cohesive and to become groupthink . Especially if the leader, who in this case is also the parent, has an authoritarian or hubris character, which triggers an intense uniformity pressure. The authoritarian nature also is something very natural because the leader was on a more experienced of children or other family members. This is, of course, dangerous if the decisions taken are strategic.

One of the things that distinguish family and non-family businesses are the atmosphere in the family that is carried over to the business environment, and the executives who will later inherit the ownership rights of the company. Children and parents know each other very well. When parents (leaders) are authoritarian, in line with the child's age, they tend to have less respect and dare to fight back. Especially if there is jealousy, injustice and unfairness in the form of concerns, needs or material things, they are not only disputes or conflict that occurs between parents and children, but they can develop into sibling rivalry.

Sibling rivalry will happen over time in line with the decreasing control and influence of leaders in the business. So it is not surprising that many leaders find it difficult to step down and hand over full authority to their children. Some leaders think they are less able to run the family business, and it is better to leave it to professionals. Based on experience, initially, professionals are usually also difficult to develop and last a long time, considering that the interference of family members is still dominant. However, over time and with a strong governance structure, this can be overcome.

Conversely, if parents (leaders) are educative and able to instil a good family culture, children will become parents as respected role models in both the family and business. An interesting example is one of the conglomerate companies in Thailand, Thai Nakorn Patana, which is engaged in pharmaceuticals, hospitality, broadcasting and others. Parents (leaders) can become role models for their four children whom each has a particular position in the family business. They build an apartment in one of the factory buildings and are separated only by the floor. The interesting thing is how parents build family harmony, which is to oblige every family member, including their son-in-law and grandchildren to have breakfast together. The apartment design is made in such a way that the dining room and kitchen are only in the parent's apartment. Mutual respect is very evident between siblings, sons-in-law and parents. While parents are still handling company strategy, operational matters have been distributed to children and son-in-law with different positions. Within the family, parents (leaders) have succeeded in instilling the philosophy: "respecting elders". Children respect their parents, and younger siblings respect older siblings so that there is almost no meaningful conflict. Parents, in this case, become role models, the decision becomes a decision that must be carried out, but it does not appear authoritarian because all children do it with respect. It appears that parents and leaders function very well, and once again, it is seen that a harmonious family atmosphere is brought into the business environment. It will be fascinating to note what the next story will be when the parent (leader) dies. If one of the children is chosen to be the leader, the philosophy of "respecting the elders" is certainly still strong, but the parent figure as a role model is not necessarily able to be entirely replaced by the substitute child. Ultimately all conflicts and their solutions depend on how the leader reacts to them.

References

Gordon, G., & Nicholson, N. (2010). Family wars: Stories and insights from famous family business feuds. Kogan Page Publishers.