Conflict in Family Firms: Moderating Role of Continuance Commitment

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ABSTRACT

Family business is an important area of study, and conflict is pervasive in family firms. Similarly, successor commitment is identified as an important variable in family business studies. Integrating conflict and commitment literature, this paper explores relationships between different types of conflict within the context of family business, and highlights the moderating role of successor’s continuance commitment in the composition of conflict in the family firm. Greater continuance commitment of the successor means that there is greater likelihood of performance enhancing cognitive conflict degenerating into detrimental affective conflict.

INTRODUCTION

Family businesses, with their overlap between business and family domains are an inevitable context for conflict (Danes et al., 2002). Not surprisingly, conflict is an important issue in family firm (Davis and Harveston, 1999, Davis and Hardeston, 2001, Harvey and Evans, 1994, Kellermanns and Eddleston, 2004). Yet there is little empirical research on family business conflict (Davis and Hardeston, 2001, Danes et al., 1999). Succession marks a major change in leadership as well as strategic direction for the firm, and therefore, conflict is inevitable. Such conflict can potentially lead to mortality of the family business (Beckhard and Dyer, 1983). At the same time, not all conflict is bad (Kellermanns and Eddleston, 2004); task related conflict is actually performance enhancing for the family firm. This paper explores relationships between different types of conflict within the context of family business, and highlights the moderating role of successor’s commitment in the composition of conflict in the family firm.

This paper presents a brief overview of conflict literature, and goes on to explore the moderating role of successor’s continuance commitment on the relationship between the different types of conflict.
CONCEPTS AND CONSTRUCTS

In this section, constructs of conflict and commitment are reviewed and discussed.

Conflict

Conflict has been defined as a “process of confrontation between individuals or groups over scarce resources, controversial means, incompatible goals or a combination of these” (White and Klein, 2002). Conflict is a perceptual construct, as experienced and reported by the individual (Davis and Harveston, 2001). According to the family theory view, conflict is inevitable, endemic, and motivated by self-interest (White and Klein, 2002). It is also associated with patterns of coalitions developed within the close-knit groups in the family (White and Klein, 2002). Family is a natural group, and family firms show greater cohesiveness and potency (Ensley and Pearson, 2005). Even with the natural group, different sub-groups within the family may have incompatible interests and goals. Succession is a particularly challenging time where different stakeholders in the family firm tend to look for different outcomes – the successor may seek the leadership role, the predecessor may be reluctant to relinquish the leadership role, and other stakeholders may have different interests. Under such circumstances, the patterns of the allies and coalitions may shift according to contexts and conflicting interests within the family. This study looks at composition of conflict in family firms that may come about as a result of successor commitment.

Organizational conflict and its dimensionality

Conflict in organizations has been a topic of many research studies. It argued to be “an awareness on the part of the parties involved of discrepancies, incompatible wishes, or irreconcilable desires” (Jehn and Mannix, 2001) (p. 238). Organizational conflict has been identified as a multidimensional construct that has both cognitive and affective components (Amason, 1996, Amason and Sapienza, 1997, Amason and Mooney, 1999, Jehn et al., 1999, Jehn and Chatman, 2000, Jehn et al., 1997, Jehn, 1997, Jehn and Shah, 1997).
Cognitive conflict is defined as “awareness of differences in viewpoints and opinions pertaining to a group task” (Jehn and Mannix, 2001) (p. 238). It has also been referred as task conflict (Jehn and Mannix, 2001) and substantive conflict (Davis and Harveston, 2001). Affective conflict is defined as “an awareness of interpersonal incompatibilities, includes affective components such as feeling tension and friction” (Jehn and Mannix, 2001) (p. 238). It has also been referred to as relationship conflict (Jehn and Mannix, 2001), interpersonal conflict or emotional conflict (Hinds and Mortensen, 2005) in the literature. Both task and affective conflict are often correlated. However, they have differential impact on the group processes and outcomes. Cognitive or task-related conflict is associated with improved decision-making (Amason, 1996). In general, moderate amounts of cognitive (task) conflict are associated with better team performance. On the other hand, affective or relationship conflict has been linked to group process dysfunctions and lowered performance. Amason et al. (1996) found that affective conflict was significantly and negatively related to both decision quality and affective acceptance of decisions while Jehn (1995) found that interpersonal conflict creates problems with decision-making and hence affects performance. A third dimension of process conflict has also been identified in the literature but it has received less examination (Jehn and Mannix, 2001). Process conflict has been defined as “conflicts not about the task itself, but about how the work should be done” (Hinds and Mortensen, 2005). The current study primarily focuses on cognitive and affective conflict since those constructs are well established in the literature and the measures are well developed.

The correlation between affective and cognitive conflict varies across studies, but Simons & Peterson (2000) reported a correlation of 0.47, while (De Dreu and Weingart, 2003) reported a correlation of 0.52 after removing outliers. Yet, their homogeneity of effect sizes test was significant, indicating that the relationship between cognitive and affective conflict varies. Similarly, the detrimental effect of conflict on performance was mitigated when the correlation between the two conflicts was low (De Dreu and Weingart, 2003). Therefore, understanding the role of moderators of
the relationship between cognitive and affective conflict is important. This study explores the role of continuance commitment of the successor as a moderator in this relationship.

Conflict in family firms

Conflict is an important issue in family firm (Davis and Harveston, 1999, Davis and Harveston, 2001, Harvey and Evans, 1994, Kellermanns and Eddleston, 2004). Family business context offers an interesting overlap between business and family domains; creating a unique mix of sometimes incompatible goals and strategies. Given the ambiguities between boundaries of family and business, conflict inevitable in a family firm setting (Danes et al., 2002). For example, conflicts in family sphere, such as marital conflict, sibling rivalry often spill over into business domain (Kellermanns and Eddleston, 2004). Further, succession marks a major change in leadership as well as strategic direction for the firm, and therefore, unsurprisingly, conflict is very common. In fact, such situation may prompt old unresolved family rivalries to come to surface and be manifested in the form of succession conflict (Beckhard and Dyer, 1983). Such conflict is often deemed harmful and may even lead to the demise of a family business (Beckhard and Dyer, 1983); however, some types of conflict also has performance enhancing potential (Kellermanns and Eddleston, 2004). Empirical understanding the different types of conflict and their relationships within the context of family business can lead to greater insights into the phenomenon of conflict in family firms. This study explores the role of continuance commitment as a moderator of the conflict relationship. The next section discusses the role of continuance commitment in the broader commitment literature.

Commitment and Continuance Commitment

Organizational commitment is one of the well researched areas in management literature. Commitment has been identified as a component of motivation (Meyer et al., 2004) and has been linked to learning outcomes (Naquin and Holton, 2002). It has been defined as a force that binds an individual to a course of action (Powell and Meyer, 2004, Meyer and Herscovitch, 2001). It is also
argued to be distinct from exchange based motivation and influential even in absence of external motivation (Meyer and Herscovitch, 2001). Commitment may stem from several sources, and based on these sources, commitment is argued to be a multidimensional construct comprised of affective, normative and continuance component (Meyer et al., 2002).

Affective organizational commitment has been defined as ‘the relative strength of an individual’s identification with and involvement in a particular organization’ (Mowday et al., 1979) (p. 226). It is characterized by “(1) a strong belief in and acceptance of the organization's goals and values; (2) a willingness to exert considerable effort on behalf of the organization; and (3) a strong desire to maintain membership in the organization” (Mowday et al., 1979) (p. 226). Continuance commitment is associated with costs of with leaving one’s organization, which includes opportunities outside the organization as well as one’s own investment in the current organization (Johnson and Chang, 2006). Cohen (2007) traces the origin of continuance commitment from the side bets theory offered by Becker (1960). Side bets are conceptualized as the accumulation of investments valued by the individual that would be lost if he or she were to leave the organization. Such investments, coupled with lack of alternatives, make the individual more committed to the organization. Meyer et al. (2002) found that these two components of continuance commitment, i.e., lower alternative and higher sacrifice, correlated in opposite directions to the affective commitment. This paper treats continuance commitment as a single construct. Normative commitment is associated “a perceived obligation to remain in the organization” (Meyer et al., 2002) (p.21), though existence of normative commitment as distinct from affective commitment has been questioned (Ko et al., 1997, Meyer and Herscovitch, 2001, Cohen, 2007). Overall, affective commitment is shown to have most positive benefits. On the other hand, continuance commitment as a construct has received little previous attention, even though continuance commitment is argued to be one of the especially important constructs (Johnson and Chang, 2006).
Commitment in family firms

Successors’ commitment is a particularly important construct in the family business literature. The decision to join the family firm is an emotionally fraught decision for the next generation (Nelton, 1996). Barach & Ganitsky (1995) state that strategic commitment of the successor is an important attribute for successful succession. Overall, successor commitment is generally viewed as a very desirable attribute (Sharma and Irving, 2005). Affective commitment, associated with close identification and internalization of the goals of the family business (Handler, 1989) is cited as one of important successor attributes (Venter et al., 2005, Chrisman et al., 1998). However, all family business successor do not possess only affective commitment (Sharma and Irving, 2005). Continuance commitment is common among family business successors. Working in the family business involves multiplex relationships that are harder to break. Quitting the family business may involve cutting more ties than just employment. It may be too costly for a successor to leave the family business even if he/she is unhappy in the context. Therefore, continuance commitment is an important, yet understudied, construct in the family business setting. The focus of the study lies on effect of continuance commitment on the extent and structure of succession conflict. Next few paragraphs discuss the relationship between affective and cognitive conflict, and then argue for the role of continuance commitment in determining that relationship.

HYPOTHESES DEVELOPMENT

Cognitive conflict encourages individuals to share divergent perspectives about the task at hand, while affective conflict stems for interpersonal disagreements and is detrimental to task performance. Even though they have different effects on performance, they are often found together. Previous literature traces the antecedents of both affective and cognitive conflict into several factors, including team diversity (Pelled, 1996, Jehn, 1997, Jehn et al., 1999), values and culture (Jehn and Mannix, 2001), stability, friendship (Jehn and Shah, 1997, Shah and Jehn, 1993) as trust (Simons and Peterson, 2000).
When and why does the task related cognitive conflict ignite affective conflict? Based on social attribution theory Mooney et al (2007) state, “when the conflicting views are subjective and hard to justify, the attributions can be damaging, as in the case where one person decides that another is playing politics or promoting a personal agenda. These damaging attributions can trigger a cycle of disagreement, distrust, and reprisal that leads to full-blown, affective conflict.” (p. 735). Similarly harsh language used as a result of cognitive conflict can trigger affective conflict or members plagued with affective conflict may manufacture task conflict (Simons and Peterson, 2000).

Ambiguous and subjective conditions are pervasive in family business situation. First, the uncertain nature of entrepreneurial context makes it difficult to articulate all decisions. Task conflict means expressions of differing ideas and persuasion. However, persuading others may often require delineating rational steps. Entrepreneurial decisions involve heuristics (Busenitz and Barney, 1997) and decision making based on incomplete information and uncertainty. Such decisions may be driven by tacit understanding of the business, and it may be difficult to articulate and explain rationally. In such cases, the conflicting views may become subjective and trigger negative attributions. For example, divergent perspectives may be perceived as personal agendas and politicking rather than valid different points of view.

Second, family members working in the business may indeed have multiple goals and agendas, and the goals of family businesses may be made up of an amalgam of family and business goals. Different members of the family business, therefore, may have a different vision for the business. For example, some members of the family business may want to expand while others may want to maintain it at a manageable size. Under such circumstances, expression of divergent ideas may further instigate disagreements and affective conflict. Therefore consistent with extant research, this paper argues that

Hypothesis 1: Cognitive conflict will be positively related to affective conflict.
Continuance commitment is based on an individual’s awareness of the costs associated with leaving an organization (Meyer et al., 1993). Successors with high continuance commitment are committed to the family firm because the cost of leaving was too high, not by desire. Such costs may be monetary – it may be difficult to find another job that is equally lucrative. The successor may be used to perquisites and non-pecuniary benefits associated with business ownership. Finally, the multiplex and overlapping ties of family and business may make it very difficult to quit without substantial social and emotional costs. Such continuance commitment is akin to feeling stuck (Luthans et al., 1987), and lack of control (Coleman et al., 1999). Such feelings may be associated with less constructive strategies for problem solving (Ng et al., 2006), and greater emotional or affective conflict. As Meyer et al. (2002) put it, “a sense of being “trapped” in an organization is both stressful for employees and a source of conflict at home.” (p. 40). With the strong overlap of family and business, continuance commitment is more likely to lead to such emotional conflict.

Hypothesis 2: Continuance commitment will be positively related to affective conflict.

Continuance conflict may not only exacerbate affective conflict, it may also impact how the family members perceive cognitive conflict. Continuance commitment is linked to stress (Meyer et al., 2002) and anxiety (Mignonac and Herrbach, 2004). Therefore, continuance commitment may provide a negative frame of mind in which any divergent ideas are perceived as personal agendas directly harming other stakeholder interests. As Kacmar and Carlson point out (1997), “people act upon their perception of reality, not reality per se”; therefore, such negative perceptions may trigger retaliatory and negative responses (Cropanzano et al., 1997), creating a spiral of negative “team reality” (Goleman et al., 2002).

Further, stress and anxiety, or negative affectivity, of even one person may impact a team’s environment (Barrick et al., 1998), and further enhance the escalation of cognitive conflict into affective conflict. Finally, a common reaction to conflict is withdrawal behavior – to leave the conflict-producing situation. However, given the continuance commitment, successors can’t even
leave the situation without substantial costs, further exacerbating the affective effect of cognitive conflict. Overall, it is argued that continuance commitment will moderate the relationship between cognitive and affective conflict such that greater continuance commitment will strengthen the relationship cognitive and affective conflict, and lower continuance commitment will mitigate the relationship between cognitive and affective conflict.

Hypothesis 3: Continuance commitment will moderate the relationship between cognitive conflict and affective conflict.

METHODS

The data for this study was compiled through a telephone survey and tested through regression analysis. In this section, our sample, measures, and data analysis methods are explained.

Sample. The sample frame for this study consisted of top managers from 615 manufacturing firms in a seven state region in the Northeastern United States. Top managers of the firm (CEOs / Presidents) were contacted via telephone. After culling those who did not respond or did not agree to participate, the final sample consisted of 140 respondents. Out of which 133 responses were useable. The response rate of 22% is well within the minimum and accepted rate for studies of this type with top managers (e.g., (DeTienne and Koberg, 2002, Neck et al., 2004). All the firms were at least 25 years old and had undergone at least one succession.

Independent Variables.

Cognitive conflict: The cognitive conflict was measured with 3 items adapted from Jehn (1994)’s Interpersonal Conflict Scale (ICS). The conflict was measured by asking about strategic decision at the time of succession. In the survey the Chronbach α coefficients for cognitive conflict was 0.946.
Continuance commitment: Continuance commitment was measured by an instrument by Meyer et al. (1993). Questions were asked about the successor’s commitment at the time of succession. In the survey the Chronbach $\alpha$ coefficients for affective and continuance commitment scales were 0.782, which is well within acceptable range.

**Dependent Variables.**

**Affective conflict:** The affective conflict was measured with 3 items adapted from Jehn (1994)’s Interpersonal Conflict Scale (ICS). The conflict was measured by asking about strategic decision at the time of succession. In the survey the Chronbach $\alpha$ coefficients for affective conflict was 0.927.

**Control Variables.**

Industry was controlled at the sample selection. Other control variables included gender, family status of the successor and senior management team size.

**Common Method and Non-Response Bias:** Following Podsakoff & Organ (1986) Harmon’s one-factor test was used to test common method bias. In this test, all the items were hypothesized to load on a single factor representing the common method and estimate of common method variance were obtained. No factor accounted for a majority of the variance indicating that common method bias was not an issue for the study. Additionally, following Podsakoff et al (2003), items were allowed to load on a single unmeasured latent factor for common method. The mean variance for constructs was larger than the mean variance for CMF indicating that the common method variance was not an issue for this study.

In order to test for non-response bias the mean revenues of respondents vs. non-respondents was performed. The revenue estimates for the entire contact list were obtained from D&B and
comparisons were made between the revenue average of the entire contact list and those of the respondents. The t-test indicated that there was no response bias in the sample.

**Results**

Hypotheses were tested using hierarchical regression. To mitigate collinearity concerns, the independent variables were mean centered and standardized. The standardized variables were used to calculate interaction variables. In the study, the highest VIF was 1.03, indicating that collinearity was not a problem with this analysis.

In the first model, the control variables including gender, family status of the successor, and senior management team size were entered. None of them emerged significant. In the second model, cognitive conflict and continuance commitment were included. A significant change in $R^2$ was observed. Cognitive conflict was significantly related to affective conflict ($\beta = 0.68$, $p<0.001$), supporting the first hypothesis. The second hypothesis that continuance commitment will be positively related to affective conflict was not supported. To test the moderation effect, the interaction variable was entered as an independent variable in the final model. The moderation hypothesis was supported ($\beta = 0.18$, $p<0.001$). To further facilitate interpretation, graphical interactions were plotted following the approach by Aiken and West (1991). They indicated that when continuance commitment was high, cognitive conflict fuelled affective conflict. When continuance commitment was low, it had a positive, yet much smaller effect on affective conflict.

**DISCUSSION AND CONCLUSION**

Conflict in family firms is endemic. As Kellermanns et al. (2004) argue, some conflict can be good for the family firm. They argue that moderate amount of cognitive or task related conflict is beneficial to the family firm performance, while affective conflict is detrimental to performance. Yet, both cognitive and affective conflicts go hand in hand, and it is difficult to isolate their effect. Recent meta-analytic reviews have shown that the association between task and relationship conflict varies...
considerable, and it is important to investigate the role of moderators (De Dreu and Weingart, 2003). As they point out, beneficial effects of task or cognitive conflict are more pronounced when the associated affective conflict is lower. Identifying factors which affect the relationship between the two types of conflict is therefore, important for a better understanding of effect of conflict on performance. Following the call of research by De Dreu et al., (2003), this paper identifies a moderating factor – it finds that successor’s continuance commitment moderates the effect of cognitive conflict on affective conflict. When the continuance commitment is high, cognitive conflict is more likely to lead to affective conflict, while the effect is much smaller when the continuance commitment is lower. From a theory development point of view, this study furthers our understanding of all three constructs by understanding the relationship between the three.

This study also finds that continuance commitment of the successor by itself does not exacerbate affective conflict. However, in the presence of continuance commitment, the cognitive conflict rapidly degenerates into affective conflict. Moderating, rather than direct, effect of commitment on outcome variables is consistent with the literature on commitment (Meyer et al., 2002). This is one of the first quantitative empirical studies that explore the role of continuance commitment in the family businesses; it builds on existing theoretical and empirical work in the area of organizational conflict and following exploratory work by Sharma & Irving (2005) as it attempts to understand the implications of continuance commitment in family firms. This has practical consequences in the family business setting. Even though cognitive conflict has performance benefits, it is important to be aware of the commitment structure of the team members. Encouraging task conflict in a situation where the family members are high on continuance commitment can have detrimental consequences.

Limitations This study pertains to actual business owner-operators, who have taken over the family firm. Since the sample in this study consists primarily of successful succession, the results may not be generalized to other businesses. This study is also a cross sectional study and there is a
potential for a recall bias. Further, the conclusions may be applicable to manufacturing industry and may have limited generalizability.

Finally, cognitive conflict in a family firm is argued to do it good (Kellermanns and Eddleston, 2004). However, if the successor experiences high continuance commitment, the cognitive conflict is likely to fuel affective conflict, and damage the interpersonal dynamics in the family business. By identifying the moderating effects between two theoretically well established organizational constructs of Conflict and Continuance commitment, this paper makes a contribution to the conflict and commitment literature. By conducting one of the early empirical studies of continuance commitment in family firms this paper contributes to the family business literature.
REFERENCES


