

Independent Final Report

Conflicts in Family Business

by

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May 2017

Independent Final Report

Presented to

Ritsumeikan Asia Pacific University

In Partial Fulfillment of the Requirements for the Degree of

Master of Business Administration

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Certification Page

I, HEIN ZIN (Student ID 52115621) hereby declare that the contents of this Independent Final Report are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma.

All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

HEIN ZIN

2017/05/29

ACKNOWLEDGEMENT

I would like to express my very profound gratitude to my parents for providing financial support and continuous encouragement while studying in APU. This accomplishment would not have been possible without them. They are not rich people but they try to support me through their entire life to become an outstanding person and they are the best people in my life.

I would like to thank my grandfather who is former Deputy Minister of Health, Myanmar for letting me know about this MBA program and try to encourage me to study MBA. He taught me basic knowledge about management through his experiences before I came to Japan and he is my second parents.

I would like to thank my research supervisor Professor YOKOYAMA Kenji, vice president of Ritsumeikan Asia Pacific University. The door to Prof. office was always open whenever I ran into a trouble or had questions about my research. He consistently allowed this paper to be my own work but steered me in the right direction whenever he thought I needed it.

I would like to thank all the professors in Graduate School of Management for teaching me through my years in APU. They gave me the huge knowledge and without them, I can't accomplish this paper.

I would like to thank Ritsumeikan Asia Pacific University for 100% scholarship of MBA. Without this scholarship, I can't even study in Japan and write this paper.

I would like to thank all my friends who were being together with me through my studies and we had unforgotten moments. It will be in my mind forever and thank you very much for studying together with me.

Executive Summary

Before I apply for MBA program, I had an idea to do a thesis about my country, Myanmar, and its future business potential. But the scope is too wide and I don't know how to start it. During the first Semester, I attended Japanese Family Business class by Professor Yokohama Kenji. The class is very interesting and that makes me desire to study Japanese Family Business. So I decided to change my topic to Family Business. Still, the scope is too wide to study. According to my professor's advice, I decided to write an independent report about conflicts in Family Business.

The reason I chose this report is I have a great interest in Family Business, especially Japanese. This is the main reason I came to Japan because Japan is one of the world leading countries in business and I want to learn the practices and apply in my country. I also have the plan to set up my own family business in the future so I can learn many things by doing this report and I hope it may help in future. I want to learn from the current family businesses because they are working well in the competitive world.

My report is focusing on the conflicts of these businesses because they already made mistakes, still making and there are also solutions and still finding solutions for upcoming problems. I want to understand the conflict between family members while doing business, so in the future, I can avoid such conflicts, make precaution, make a better framework to protect the problem while they are small. I can give example to family members, while these conflict may

occur. The aim of this report is understanding conflicts in family business and try to find out a better way to solve it. My research questions are as follow

- What is the conflict? Is it all bad?
- How do we measure the conflict?
- How do we minimize the impact?
- What changes happen to the company during and after the conflict?

I will carry out my research by secondary data collecting method including case studies. Case studies are also useful tools to collect data and I can build my own recommending by studying one or more cases. Secondary data collecting method is the data collected by someone for the purpose of his or her project and it has already done statistical analysis. I will use secondary data from the source such as the library, the internet, scholarly publication, newspaper clipping, academic journal, etc.

Chapter 1 Introduction to Family Business

What is Family Business?

A business that is owned, controlled and managed by one or more than one family members, that grow out the family's needs, built on the family' abilities, sustained by the family commitment and pass down to next generation. Family firms are fast-growth firm. Family members are vital and supportive environment for an entrepreneur is essential. Family support and presence of self-employed parents are important in venture initiation and business ownership. Chief executive of the family business has a heavy responsibility for family fortunes. If he doesn't make any profit, the family members may suffer.

Family Business is the oldest and most common business model in the world. It has various terms, family-owned, family controlled, family managed, etc. The family business has different meaning to different people, traditional business, community business and home based business. Almost every shop from the corner to worldwide publicly listed giant firms with thousands of employees can be considered as family business.

A firm which is closely identified with at least two generation of the family, has family interests and objectives, influence company policy is called a family business. There are many definitions for the family business, which depend on the individual business.

For the privately held firm, a firm which is controlled by family members more than 50% of voting right is classified as a family firm. For the publicly listed firm, family control must be at least 32% of voting right. A family business may have outside owner as well as the manager, who is a non-family member. Not only voting criteria define family business, other such as the percentage of ownership, the involvement of multiple generations, power over the strategic decision and active management of family members also used to define family business.

However, in most family businesses, family members often participate in the operations. Family participation in the business as manager or owner has both positive and negative effects. It can strengthen the business because family members loyal and dedicated to the business, sometimes family participation may occur unique problems due to the dynamic of the family and business system are not in balance. These problems happen due to the interest of the entire family and business are not aligned or the interest of one family member and another may not be aligned. It is important to establish a good connection between family and business.

Evolution of Family Business

The family business is doing well in the current business environment. The revenue increase year by year. This success is largely depending on the family aspect. A successful family business is the one that works harmoniously through four stages of evolution; entrepreneurship, growth, governance, and maturity. Every stage has challenges and different factors.

Entrepreneurship stage is when family aspect provides an advantage over non-family companies. Family not only provide laborer but also provides finance through family and share benefits.

Growth stage – focus on growing market share, bring a new and innovative product to market, expanding the market area, increasing capacity and attracting additional financing.

Family dynamics play important role in governance. Most of the non-family firms face agency cost when the owner and manager interest are not properly aligned. This can be avoided in the family business. This doesn't mean it is not immune to governance, it has many issues like favoritism, failure to deal with discipline. But the company should have proper mechanisms to deal with such problems.

Succession is the final challenges in the family business life cycle and family relationship problems may occur during this time. Most small family businesses don't have a succession plan, they are busy with running their companies. If succession executed poorly, it may lead to poor performance for the company in the future, even cause a split within the family. Hiring outside management, bring outside person, a non-family member, to the family firm can bring many benefits.

Characteristics of Family Business

The family business has unique characteristics and features. The family business is very simple and easy to set up, there are no legal formalities to comply, the only thing we need is united within the family and establish the new business.

There are two types of family business; inheritance family business and joint family business. Inheritance family business is owned and managed by one family. After the death of owner-manager, the business is taking over to the next generation of the owner. In joint family business, all members have ownership but management is controlled by a senior member of the family.

Stability of family business can change after entrepreneur death. If the successor doesn't have enough skill to manage the company properly, the business will die soon. It is very important to choose suitable successor; otherwise business may perish. Different family business has different profit sharing system. Most business divide profit among family members on the basis of ownership share. In the case of death of a member, the share will transfer to wife or next generation.

The family business is always loyal to the principles of the founder. It has entrepreneurial spirit and involvement of family members promote long-term commitment, stability, and loyalty which create organizational value.

Family Business may belong one or more families on one business. The management position is influenced by the relationship, enjoyment between family members. The control of family exists in the form of ownership or in the form of management where family member obtains a key position. Succession goes to next generation and this is the most important things which determine future effectiveness in term of company operation.

Family Structure Close Management Style

Most family business has a family structure. The head of the family always makes decisions and everybody follows because they define that him or her as the highest person in the family. The family business has close management style. Most business decisions are coming from the dining room because the people who are doing business are the people who live under one roof, most people in the business are family members.

Strong Founder Influence

Most of the family businesses are shaped and given values by the founder. The next generation needs to maintain these family value after succession. They have to respect the value that the founder made and try to adapt to the current situation.

Growing Influence of Women

The role of women in family business is greatly important in these days. In the past, women were restricted, they can do only household work and take care the children. In these days, the advice and managing family members are hugely relying on the women. They have the great influence on the family members, for example, mothers, wives have greater influence on their husbands and sons. In some family businesses, women are considering as successor to take over and run the business.

Growth Ambition and Favoritism

Most family businesses don't have great growth ambition. This is because they start their business intention to ensure livelihood and wealth creation. They don't have the motivation to create large level of growth. Most small family businesses don't prefer outside people. People who are working in these businesses are close relatives and or people who are from hometowns. These small businesses bear nepotism which is favoritism.

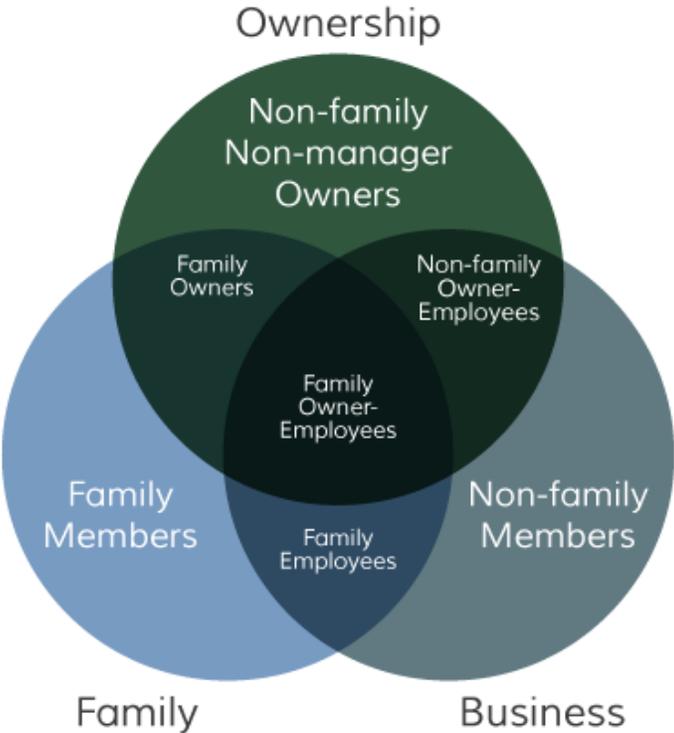
Professionalism

Typical family businesses don't trust outside intervention and do not warmly welcome people outside the family. Recently they are seeking growth and they need to collaborate with outside parties in term of professional key employees, partners, and vendors. Today family business uses professional management as a tool to create growth for their business. It means family business separate ownership and management. A family business that transforms into

largely set up company retained the ownership, so key family members can still control on strategic issues but the company management is completely transferred to highly trained professionals who are outside the family and this management team needs to report the owner. In some cases, business goes to the public but key family members are still controlling the large stake share. Professional management becomes a useful tool to the family business in order to survive and sustain in the global competitive scenario.

Three Circle Model

THREE-CIRCLE MODEL OF THE FAMILY BUSINESS SYSTEM



TAGIURI AND DAVIS, 1982

Three Circle Model of the family business was developed in the 1970s by Renato Tagiruri and Joh Davis at the Harvard Business School. It is simple and easy to understand the complexity in family business systems and become a popular framework to study family business, help researchers, academics, families, consultants to think more clearly about strength and challenges of this system.

This framework has simple terms, three circles; which are interdependent and overlapping that comprise the family business system. These circles are Family, Business, and Ownership. There are seven groups as a result of overlapping and each has own perspective, goals, and dynamics. Long term family business success depends hugely on the functioning and mutual support to each other.

Before three circle model, people focused thinking only on the business circle. Then they realize family dynamic hugely influence on the business and vice versa. So, they focused on two circles to think about the system. They completely ignored the importance of ownership factors. The ownership circle link family and business circles and explain other issues which first two circles can't. By linking family, business and ownership circles, we can clearly understand what is the family business system.

This model shows three principal roles of the family business. Everybody in the family belongs to the family circles. The ownership circle includes family members, investors, and

employees from outside. The business circle generally includes family members and the non-family members who are employing the business.

Chapter 2 Literature Review

Research on Global Family Business

The family business is essential and plays important roles in our global economy and society. Many giant well-known firms are owned by the family and they are being proud of it. Their characteristics and practices that maintain entrepreneurial spirit, innovation and grow consistently serve as a role model for all businesses. More than 80% of global firms are family firms. They are the backbone of the world economy. Family business looks not only short-term shareholder value maximization but also take care future shareholder value.

The family business is a business that integrates the relationship of the family into business. The business needs strong acumen, strategy, practicality and the family requires nurturing and care. The most successful family businesses are those who can manage to integrate both family and business; create long lasting legacy entrepreneurial success and family unity.

Research on Japanese Family Business

Japan is one of the highest numbers of longstanding business in the world. Japan possess 60% of world companies which are more than 200 years old and 50000 firms are more than 100 years old; most of them are family businesses.

Japan is a country which is 80% size of the state of California, 85% of the country is covered by mountains and active volcanoes, has 125 million of the population. Most of the residential areas are along the coast and always hit typhoons and tsunamis. Most areas in Japan had been smashed by Meiji Restoration and aerial attack during second world war. Most family businesses passed down through generations and they have experienced these disasters in the past. Most long lasting family businesses have tolerance, persistent efforts, and diligent national character. They strongly respect to the house, which is family name and they believe that this is the most important asset to protect from the world.

Another important factor is value relationships which are work together and share mutual benefit between business partners, local communities, customers, mother company, and employees. Kaizen, the practice of continuous improvement, advanced core products, services and technologies according to environmental changes in a flexible manner. There is no invasion in the history, Japan was controlled by the Emperor family, who created stable governance and supported the local community. Stable governance system also makes Japanese family business stronger.

Now Japan faces difficulties such as a decline in birth rate, increasing aging population, and rising world competition. Traditional family businesses suffered the changes of lifestyles and decline domestic sales and consumption.

Studies on Conflict in Family Business

In the world, the most successful executives are those who built their own company. When they become success, they bring their family members to the business. The families' personal problems come together since the entrance of family members to business and make the most difficult things to solve.

This is due to the managerial decisions which are influenced by the feeling, emotion, and responsibility. These conflict commonly happen between father and sons or daughters, brothers, and other family members.

The difficulties always start with the founder. He always wants to supervise the company even he passed over to next generation which creates uncomfortable management. Successor needs to obey everything the founder said even he is the chief of the company. The successor, mostly son always wants to escape from the authority of his father when the conflict become bigger. He wants to set up his own company and this is the only way to escape from his father.

Founder brings his family members to business as an instrument for shaping his company. But in some cases, family members are selfish, they want to acquire power themselves which makes company decline when founders age or die. For the founder, the business is essential and very important. He always worries about future of the business after he passes on and these concerns make him over thinking which leads psychology conflict.

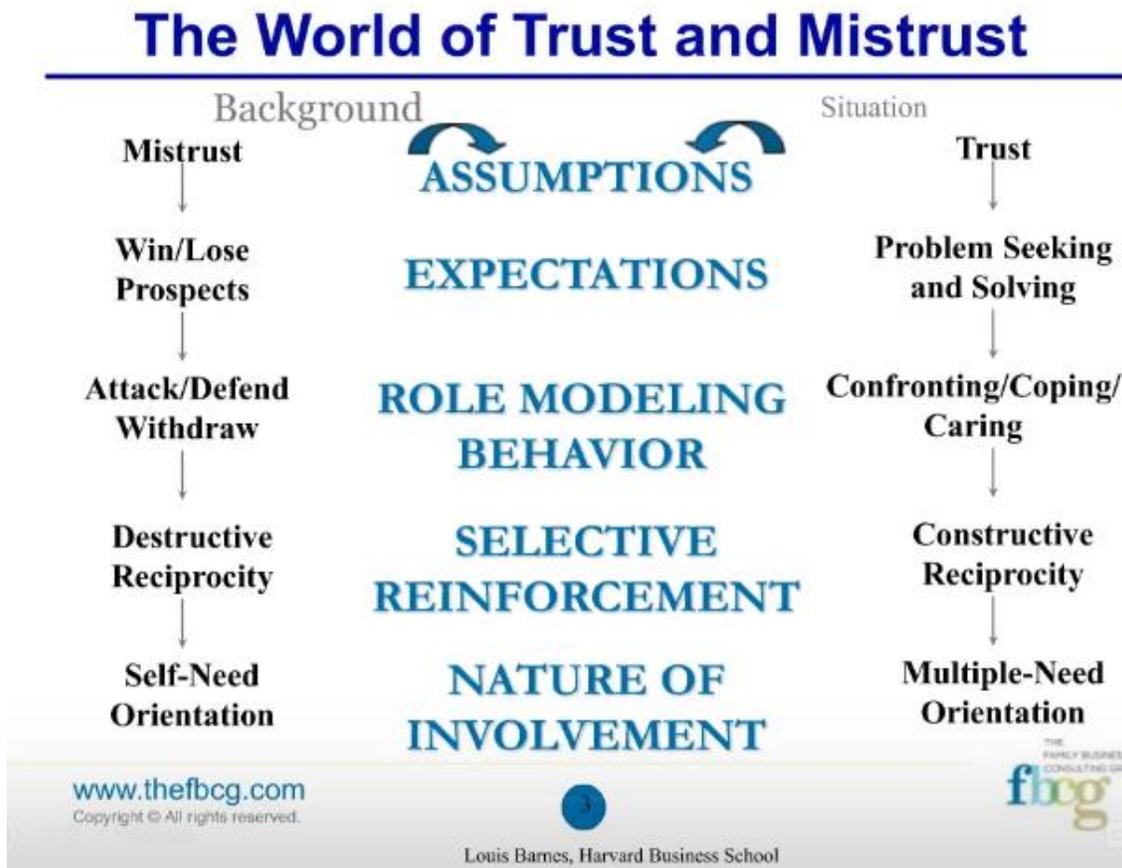
Managing Conflict in Family Business

Successful Relationship

We need to manage the conflict productively because, in fact, conflict can be a productive element of family relationships and good business relationships. Let's start with the successful relationship, in the successful relationship we are often focused on happiness. The successful of organization hugely depend on the foundation of good relationships. Good communication supports successful relationships, which make use enjoy the relationships. But it requires forgiveness, moves on from the past and hard working.

Successful relationships can be easily and quickly destroyed and we have to work very carefully to make them continue to be effective. Everything I mentioned above is based on trust and it is key in all family business relationships. Trust is why we work together as family members, why we choose together to go into business, etc. I will explain more about the trust and mistrust based on Professor Louis Barnes's the world of Trust and Mistrust model.

The world of Trust and Mistrust



This is the world of Trust and Mistrust by Professor Louis Barnes, Harvard Business School. These concepts really work in tandem on, one side is mistrust and the negative things that come out of it and the other side is trust and the positive things come out of it. Both of trust and mistrust are based on certain assumption but trust cannot be based only on assumption. Assumption gives us certain expectations. If our expectations are not met, then we question trust which can lead dysfunctional behaviors such as win-loss prospect. When we seek and solve the problems, we identify the problem and we say let's find ways to solve these problems together that create an expectation that really builds trust.

This takes us to create role modeling behavior which is very important in family business. If our role modeling behavior becomes competitive, attacked, defend and withdraw, that destructs the trust in a relationship. On the other hand, if our role model becomes confronting, coping and caring, which demonstrate that we care for each other in spite of difficult decision that we may have to make or difficult issues we may have to deal with. Caring is an important part of our relationships and that has to be there even we are confronting tough issues.

As long as we are confronting a matter, there is still an issue and it causes tensions. We have to care each other, be fair to each other but we have to attack the problem in coping and caring kind of way; sometimes we have to take a little bit step back instead of attacking each other. Any attack requires either defend or withdraw and both of them destroy trust. On the other hand, if we confront the issues in a productive way, find a way to cope then we can move forward. If we do not support each other, we cannot get through the conflict.

Come down to this issue, destructive and constructive reciprocity follow. We are human being and we reciprocate no matter where we are, who we are, and what culture we come from. If I walk up to strangers, I smile and say hello, the chances are really good that they are going to smile and say hello back to me. The chances are also good that if I walk to the strangers and kick them, they are probably going to first wonder why I did this but then they figure out if they can kick me back or they could hurt me even more than I had hurt. If we can find a way to trust a person in the system a little bit more today than we did yesterday, the chances are good that they

are going to reciprocate that trust. Hurt feelings and problems in the past may be guarded but this is the only chance to try and reconstruct any trust that has been lost.

We need good modeling behavior which can help each other be away from self-need orientation and toward the kind of thinking of all of us together and always think about the right decision which is good for everyone in the system. This is the key which is being able to see that it is not a matter of my need but our needs and realize we are family, we do business together, and everything we do, impact everybody in the whole system.

Sources of Mistrust in Family Relationship

This occurs quite naturally and one of those is the failure to accept who we are as adults versus who we were when we were children. Sometimes we see ourselves in the situation that we were as children rather than how we are now. To be extended, we forget about the forgiveness, this is due to the wrong of the past based on and being able to accept each other as functioning adults rather than reverting back to our childhood.

There are also inadequate or outdated assumptions often makes about ourselves. We have to realize that each of us has grown, we have learned and we have families now. The people now we are dealing are much more complex than childhood. Those things all can lead to the expectation that may be unrealistic or too simplistic. So, we need to check our expectation and really think about are they reasonable.

Another fact is that we are now focusing on differences instead of commonalities that can be one of the biggest cause of mistrust. As children, we grow up focusing on differences but distinguishing ourselves. The point is to focus what we have in common and that will be very useful. Seeking individual goals over common good is what we are talking about self-need orientation verse multiple. We need to understand that our common good really serves us all better than any one individual.

Another thing is assumed to need to compete for the top job, which often happens many conflicts and even no one has actually expressed the particular competition. Everybody in the family business system is assuming that there will be conflict among family member over who will be the next president or CEO. Instead of dealing openly, people remain silent and assume a lot. No matter how worst the situation, if we can build the trust again, we can overcome any conflict.

Benefit of Trust

Trust creates efficiency in the organization. It encourages saving and investment and reduces lots of transaction costs. Trust also increase loyalty, not only among family members who own the business but also among all the employees who work in the business. When trust level is high, everyone feels more loyal because they feel that organization is loyal to them and enable positive changes. Trust in a society is strongly correlated with economic growth. When people have confidence, that confidence can be defined as trust, and economic growth follows. Having trust in our culture, in our family, and in our business in much more productive.

Conflict is natural in Families

We all know that conflict is just simply a fact of life and we have to accept that conflict is natural in the family. When we were children, we tried to differentiate ourselves from each other and we want to be recognized as an individual, not as just one of the group. Not only our parents but also other adults in family system encourage us to be independent. It is good to be independent, to be self-sufficient, to be responsible for ourselves. However, this independence becomes dysfunctional when it goes too far, as result in unyielding self-absorbed behavior that leads us into conflict.

Basic Assumption of Conflict

Generally, conflict comes from competing opinions, thoughts, belief, philosophies and those things are real when we feel them because emotion is what we act on and we must deal them as reality, which means bring these things to the table and discuss them intelligently, not just dismiss someone's opinions or someone's fear because they do not have the same level of sophistication about the business we do. We need to make sure that all those things are open for discussion and we need to discuss completely.

Conflict is certain to happen and it is natural of any relationships, particularly family relationships as I mentioned above. It is a fact of life which force us to rethink and examine carefully our assumptions and our automatic behavior. It is important for the family members who are running the business and they need to listen to the concern of both family members who are not involved in the day to day operations.

Types of Conflict in Family Business

The following are typical conflicts that frequently occur in family business.

Generation conflict – conflict between the older generation and younger. This is because the younger generation realizes business needs to grow and may be much more accepting of risk while the older generation is much more resistant to risk which can cause conflict.

Founder Successor conflict – emotional conflict, suffers by the founder when entrepreneur exit from the business he built and I will describe more below.

Sibling conflict – conflict between brothers and sisters. We, brothers and sisters, grew up together, we have a history there, and those are the things we need to get over.

Cousin conflict – this conflict happens when the business involves sibling from another family. We did not grow up together in the same house and we do not know what did they do in the past and we are a more likely stranger. In some cases, we grew up together with cousins and we may have some natural problems in our childhood.

Gender conflict – conflict between male and female due to the different perceptives we have. If we have good communication, it may help us to make better management decisions.

Role conflict – often see in family business, people are unwilling and hesitant to describe the job to provide titles.

Work relationship conflict – this conflict causes when we measure this is your job or my job, are we expected to compete, are we being compared to each other and how do we define our roles within the organization.

Shareholder conflict – each individual fight for the own share.

Among typical conflicts, I would like to describe more on founder successor conflict and sibling conflict due to the scope of my research. In the future, I will continue studying on other issues. Right now, I already chose two case studies and these case studies are mainly based on this two issues.

Conflict between founders and successor

This is an emotional conflict by the founder, who think he will be displaced from his position after passing his company to next generation. So he does not want his successor to be success. Actually, he wants the business to success but he determined to make it fail due to the emotional conflict he suffers. The founders always break their promise of retirement and still actively participate in management after succession.

Founder never let the successor alone to lead the business, he tries to influence the successor because he thinks he can do better than the successor. That why successor tries to seek freedom to act and increase responsibility. The conflict becomes intense, forms a battle between founder and successor because founder never lets him grow, he thinks he is the only man and successor must be his boy. On the other hand, son thinks his father become obsolete in his managerial conceptions.

Conflict between brothers, Sibling conflict

It is the common conflict when an organization has two brothers or siblings. The problems become more intense when their mothers and wives involve directly or indirectly in the business because the influence of women has great impact. When conflict begins, two brothers see each other as competitors and every meeting becomes a battlefield between brothers and the operation of the organization turn into continuous family fight.

In most families, elder brother always gets favor from parents and he is sure to become a successor. Parents always think older is larger, stronger, more competent and more knowledgeable than younger. Only in a rare instance, younger brother may success when he has the opportunity to match skills, competence, and experience than the elder. Parents always give favor eldest child due to the earlier and longer in contact.

Other causes of Conflict in Family Business

There are many causes that make conflict in the family business but I would like to focus on Entrepreneurial Exit and the importance of succession due to the scope of my research.

Entrepreneurial Exit

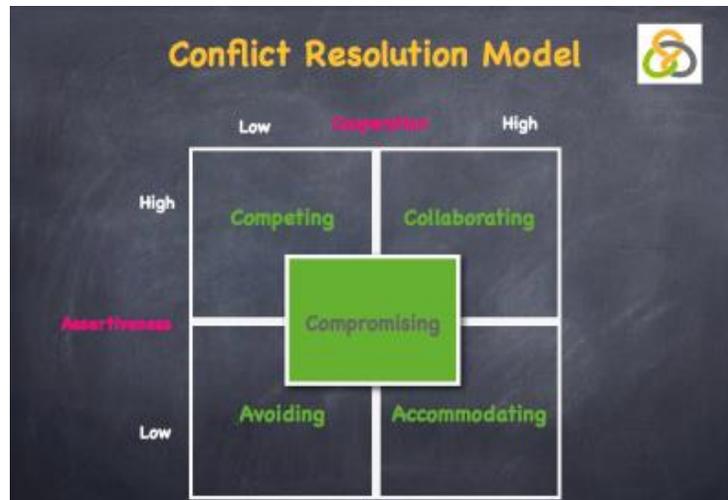
The entrepreneurial exit is the owner-manager leaves from the management and ownership. It is an important part of the entrepreneurial process and entrepreneurial has to take at least once in his life. Entrepreneurial exit has a great impact on the firm and it has very different forms; pass on the business to family members which is known as family buy-out, handover to former employees which is management buy-out, sale to the external individual (management buy-in), sale to an investor, go public offering or liquidation. We can found conflict mostly when entrepreneur passes on the business to a family member. The entrepreneur does not need to strive the sale to maximize before he leaves the organization, he needs to make good succession plan and he needs to find a successor who can work well with the business in the future.

Importance of Succession

Succession is the most critical issue as well as the most difficult thing in family business. It can make complicated family dynamics and emotional conflict within family members if the business cannot manage well on this issue. We need to consider succession as a long-term process, clearly identify who has responsibility for succession, work constantly to prepare for next generation leadership. It is important to train and educate the next generation leader for preparing successor for both leadership and ownership. These process should start early in the childhood. According to a global survey of the world's largest family businesses, most family business mentioned work with ethic, entrepreneurship, and leadership is the most important attributes that the young successors must have.

Conflict Resolution Techniques

I would like to describe some conflict resolution technique for my research. There are two models I would like to use for my research. First one is Thomas and Killman conflict resolution model and Stephen R. Covey's 7 habits of highly effective people. I hope these theories can give me enough knowledge to find out future solutions for my research.



Thomas and Killmann Conflict Resolution Model

Kenneth Thomas and Ralph Killmann identified 5 approaches to resolving the conflict. Five conflict management styles are based on two dimensions; assertiveness and cooperativeness.

Let's start with Avoiding, this involves low assertiveness and low cooperativeness. It is designed to avoid conflict and quite often means no party is satisfied. It is a lose-lose scenario. It is the perfect way to handle some disputes if they are so small and you do not care that much. But Avoiding may make the conflict worse or bigger or we will face another conflict soon.

Next is accommodating, which involves low assertiveness and high cooperativeness. It is an approach to indicate a willingness to satisfy the need of one over the needs of another. It is a win-lose scenario.

Competing or dominating, which includes high assertiveness and low cooperativeness. It is designed to ensure that one person wins at the expense of everyone else. It is another win-lose scenario. One person pressures the other by the power or rank or intimidation so that they can get the way they want. It is the best approach in some situation such as emergency or battlefield. If we use this technique in a non-emergency situation, it is called bullying. We may win the battle but we have to pay the very high price in long-term and it is most likely to create more conflict in the future.

Compromising is quite a good one, it involves an equal amount of assertiveness and cooperativeness between parties but often results in the parties only been partially satisfied. We use this approach where both of us get some of what we want but both of us leave some of it. Actually, it is not a win-win situation, it is sort of like a tie. It is about getting as close as you can and then splitting the difference. The benefit is fast because we cut it down in the middle, we do not have to get into feeling. It can settle the conflict for a while, but it cannot bring the long-term alignment. If emotion is high and everybody is deeply committed in the conflict, it is not the best solution because it is emotional issue and we run the risk of playing never ending game. It might settle the current dispute but another conflict will arise soon or later.

Collaborating includes high assertiveness and high cooperativeness from all parties and this is the ideal position for a positive outcome. It is the gold standard and willingness to get into some messy areas. It includes lots of listening, deep listening, understanding, and forgiveness. In a successful collaboration, everybody feels satisfied, happy and valued and trust grows. It is a win-

win scenario. It has challenges and those things take time, patience and willingness to overcome the conflict. The benefit of this approach is once collaboration is complete, people really understand each other and they trust one another more and they are less likely to enter into the next conflict. It is very useful to solve complex scenarios when we need to find a novel solution. It requires high degree of trust, huge amount of time, huge effort to get everybody on board to reach consensus. 80% of conflict can solve with this technique but it is not easy to perform.

Seven Habits of Highly Effective People

Dr. Stephen R. Covey presented a framework for personal development in 1990. These principles may be useful for life in general and not limited to the workplace. This concept is simple, easy to understand and help people to grow, change and become more effective. These seven habits are giving inspirational and aspirational standards for everyone who seeks to live full, purposeful and good life. Covey's method becomes relevance in many areas in the modern such as parenting, mediation, counseling and so on. His method is also very useful in conflict resolution and I would like to describe a quick summary of Covey's Seven Habits of Highly Effective People.

1. Be proactive

If a proactive person sells a product, instead of focusing on how people in these days do not appreciate good product anymore and how the government has horrible regulations, he focusses on how can I improve my product, so the customer cannot live without it. Most people choose to complain then effort and we need to change completely. Do not complain, work from the center of our influence and constantly work to expand it.

2. Begin with the end in mind

We need to consider ourselves what we want to be in the future, so we can plan and work towards it. Covey emphasizes that our self-awareness empowers us to shape our lives, instead of living our lives by default. We need to constantly review our mission statement to be effective and we need to act based on principles. We have to ask question ourselves frequently to know the direction of our goals, such as are we right, are we on the way, who do we want to be, and so on. Covey mention this habit as mental creation.

3. Put first things first

This habit is also known as personal management. In order to manage ourselves effectively, we need to put first things first. We must have the discipline to prioritize our daily actions based on what is most important, not what is most urgent.

“The challenge is not to manage time but to manage ourselves” Stephen Covey

This is all about organizing and we must distinguish what is important and what is urgent. We need to set priority in the following order.

- Important and urgent
- Important and not urgent
- Not important and urgent
- Not important and not urgent

Convey said this habits as physical creation.

4. Always think win-win

In order to create successful, effective interdependent relationships, we must do win-win situation which is mutually beneficial and satisfying to each party

We have to avoid win/lose behavior, even in the case where win/win situation cannot be achieved, no deal may be the best alternative. Win-win scenario brings good relationship among us and it is a long-term resolution.

“To go for Win-Win, you not only have to be nice, you have to be courageous.” By Stephen Covey.

When it comes to interpersonal leadership, the more genuine our character is, the higher our level of proactivity, the more committed we are to Win-win, the more powerful our influence will be. In order to achieve Win-win situation, we have to keep focusing on results, not methods; on problems, not people.

5. Seek first to understand and then to be understood

This habit is all about communication and it is extremely powerful. Before we offer advice, suggest a solution or interact with another people, we need to seek deeply understand them and their perspective through empathic listening. Unfortunately, we prescribe a solution before we diagnose the problem, we don't seek deeply to understand the problem first. In order to do that we must learn to listen.

“You've spent years of your life learning how to read and write, years learning how to speak. But what about listening” by Stephen Covey.

We need to use multiple techniques to understand someone. Otherwise, that person senses that we are manipulating him and he may no longer feel safe opening up to us.

“You have to build the skill of empathic listening on a base of character that inspires openness and trust.” By Stephen Covey.

Most people, they listen with the intent to reply, not try to understand. Empathic listening is listening with the intent to understand with feeling, emotionally and intellectually.

The final part, then to be understood which is equally in achieving win-win solutions.

“Seeking to understand requires consideration; seeking to be understood take courage.” By Stephen Covey

This creates the atmosphere of caring and positive problem-solving.

6. Synergize

When we understand and value the differences in other person’s perspective, we have the opportunity to create synergy, which provides us uncover new possibilities and new alternatives through trust and openness. The habit of synergy is the combination of all the other habits, the synergy means when one plus one equals three or more when the whole is greater than the sum of its parts.

To start synergy, we have to go back habit number 4 and number 5, we must think win-win and seek first to understand the others. Once we pass these two habits, we are no longer on opposite sides of the problem. We are together on one side, look through the problem, understand the needs and move on.

“The key to valuing differences is to realize that all people see the world, not as it is, but as they are.” By Stephen Covey

The real taste of synergy is valuing the differences between people and expand our perspective.

7. Sharpen the saw.

When we want to be effective, we need to devote time to balance and renew our resources, such as energy, health, physical, spiritual, mental and social to create sustainable, long-term, effective lifestyle. We need continuous renewal to promote us to synergistically increase our ability. There are four dimensions of our nature which must be exercised regularly in a balanced way.

Physical Dimension; exercise our body, eat well, get sufficient relaxation and rest, etc.

Spiritual Dimension; daily meditation, communicate with nature, etc.

Mental Dimension; mental health, good reading, hobby, seek something enrich our life and mind, etc.

Social/Emotional Dimension; try to develop meaningful relationships, understand other people, make contribution or donation which improve the lives of others, help other, etc.

Stephen Covey's seven habits are simple rules for life and this is very powerful stuff indeed and highly recommended. This 7 habit summary is just a brief overview. All of the habits of Covey are important but I will focus 3 habits, habit number four, five and six for my research. We need to get ourselves into position of thinking win-win. When we can't win an argument, we need to

get ourselves into the right mindset, show sympathy to get a yes from the other party that involves habit number 5, seek first to understand, then to be understood. We need to ask, listen find out what it looks like. If we are wrong as part of the conflict, we need to admit it emphatically and quickly. Habit number 6 is creating a synergy which is asking the other person for the solution appealing to the noble motives or throwing down a challenge that actually gets everybody or working toward a solution that works everybody.

Chapter 3 METHODOLOGY

The main objective of this report is to find out factors which make conflicts, learning these conflict between family members, learning current solution for these conflict, find out a new solution, try to get positive impact from conflicts and minimize the negative impact. I will carry out my research by secondary data collecting method including case studies.

Research Methodology Approach

Case Studies

Case studies are also useful tools to collect data and I can build my own recommending by studying one or more cases. I decided to use 2 cases to study to identify the conflicts in family business. I can study real things that happen in real life and I can get the real solution from those case studies.

Case study method is known that a method which allows in-depth investigating a particular problem, provide wealth information, describe a phenomenon more generally. People use case study primarily in administration areas but currently, it is adopted in investing phenomena for the various areas of study.

In the case study, we can seek numerous and detail information about our study objects and we can grip the whole situation in its entirety. But we cannot draw a generalization from the single case study, that why I will go multiple case study method to dig deeper analysis of a phenomenon that makes conflicts in family business.

Secondary Data gathering

The data collected by someone for a purpose other than researcher's current project and it has already done statistical analysis is called secondary data. Secondary data are available from the source such as the library, the internet, scholarly publication, newspaper clipping, academic journals, etc. I will try to obtain data from the source both internal and external to the organization. Internal sources available from the company information, reports, feedback, management information system, etc. External sources are business journals, academic books, magazines, newspapers, libraries and the internet.

The secondary data can be both qualitative and quantitative. Quantitative data can be collected from the previous survey, financial statements and statistics. Qualitative data can be gathered from newspapers, books, internet articles and discussion. I may use quantitative data but I will mainly focus on quantitative data for my research. I want to take advantages of secondary data which is easy to access and I need less time to gather all relevant information, and less expensive to access than primary. But it has weaknesses, all the data are not being specific for the researchers' need as well as incomplete to reach conclusion. I will minimize the disadvantage of secondary data as possible as I can by taking objectives and critical perspective on secondary data research.

I would like to use multiple sources of evidence to encounter ranges of issues of historical, behavioral nature, and related conflict of the family business. There are many reasons that I cannot carry out primary data collecting method. I will mention some. First is a language barrier, I wanted

to study conflict in Japanese family business but it is difficult to communicate with Japanese companies, so I rely mainly on the internet source and the research done by other. Second is transparency, in some cases, the conflict is still happening and companies are hesitating, to tell the truth to the public. For those cases, it is better to studies from the online materials and academic research which came from their nearest society.

My objective to collection information are as follow;

1. Understand the family business
2. Construct the main problems that make conflicts
3. Match the conflicts and the current solutions
4. Try to find out better solutions based on certain theories

Chapter 4 Case Studies

Lotte

Lotte is a multinational conglomerate, headquarters are in South Korea and Japan. Lotte was founded in 1948 in Tokyo by Korean Businessman Shin Kyuk-ho. Mr. Shin expanded the business to his home country South Korea with the money he earned in Japan, grew continuously and became South Korea's eight largest business. Lotte group operate diverse industries such as hotel chain, fast food, candy manufacturing, food processing, beverage, retail, financial services, construction, entertainment, electronics, heavy chemicals and IT. Lotte is the largest sweet and chocolates manufacturer in South Korea and third largest in Japan, behind Meiji and Ezaki Glico in term of sales revenue. The key people of Lotte group are Shin Kyuk-ho, the founder and Shin Dongbin, the current chairman. It has 180000 employees in South Korea and 5000 in Japan. 80% of Lotte's revenue comes from South Korea. The total group sales revenue is 6,794.3 billion yen (2015 financial year). Lotte also runs two baseball teams, Chiba Lotte Marines in Japan and Lotte Giants in South Korea.

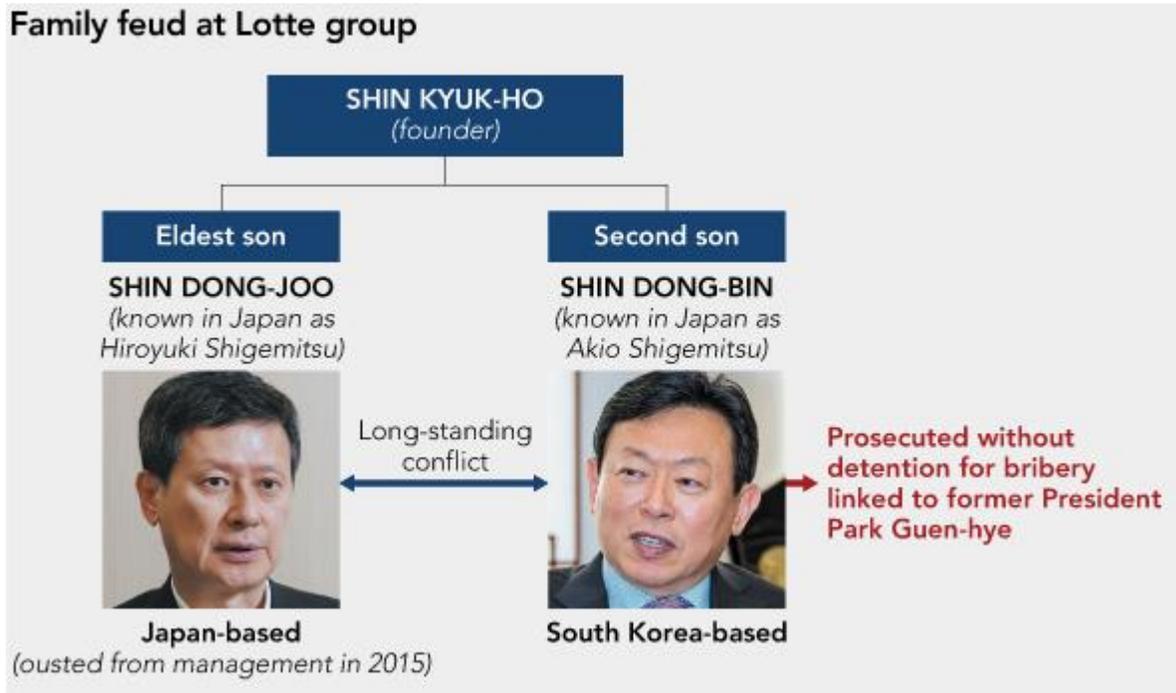
Lotte Scandal

In June 2016, Lotte was raided by South Korean prosecutors due to the secret fund flowing into the founding family as well as breach of trust involving transaction among group's companies. These situations forced Hotel Lotte to abandon an initial public offering as well as Lotte Chemical to quit from bidding for Axiall Corp. In August, Vice Chairman, Lee In Won, a top lieutenant of Lotte founder was found dead in the car before answering the question by prosecutors. These consequences happen due to the growing of power struggle in founding family.

What happens and who are the main players?

Mr. Shin has two sons, Shin Dong-joo and Shin Dong-bin. The younger brother Dong-bin has been managing Lotte in Korea which is larger and include international operations as chief executive, while the elder brother Dong-joo managed Lotte in Japan. Doog-joo is introvert described by former Lotte employee. The rumor of Lotte is that two brothers do not get along. Even Dong-bin visited Japan headquarters, the two brothers never see each other.

How did it start?



95 years old Shin Kyuk-ho was forced to leave the empire he built for 48 years. Lotte Korea Group said they forced him to retire due to his aging and he is not capable of management activities.

Shin started chewing gun business in Japan. In 1948 he enjoyed great success and returned home in 1967 with the capital he raised in Japan. He extended business in Korea and named the company, Lotte. Lotte became a top giant company in Korea performing various businesses in both Korea and Japan but in the end, Shin is forced, disgraceful departure from the empire he built due to the long succession battle between two brothers and he failed to stop.

He is very successful as business tycoon but he holds the power for too long which leads current succession battle. The founder Shin Kyuk-ho is a wise man. He decided to split the company between his two sons. He handed the Lotte holding in Japan to his eldest son, Dong-joo and Lotte holding in Korea which is four-fifth of group's business to his younger son, Dong-bin. In 2013, Dong-joo started buying stock in Korea affiliate and tried to increase the power in Lotte group. Dong-bin responded by increasing his shares in turn.

The feud started in January 2015 when Dong-joo was ousted from his post due to the great loss of investment and Dong-bin become the successor of Lotte. In July, Dong-joo made a surprise comeback, brought his father by wheelchair into a board meeting of Lotte's holding and declared, his father, the founder of Lotte was firing all Lotte's six directors, including a younger son, Dong-bin. The next day, Dong-bin and board voted to strip his father chairman title to an honorary position at Lotte Holdings.

The Lotte group dual leadership system ended in January 2015. Dong-joo has no foothold in Lotte group apart from shares he still holds. Shareholders from Lotte voted the chairman Dong-bin and against the proposal made by Dong-joo which was challenging Lotte's current management led by younger brother Dong-bin.

Shin Dong-bin become the group new chairman due to the attempt made by Shin Dong-joo which was trying to fall down his younger brother's leadership with the help of the father. Dong-

bin mentioned that his father has mental health problems and unable to make reasonable judgement, his older brother tricked him to kick out the current Lotte's management.

In 2016, Dong-joo tries to challenge his younger brother again. When Lotte scandal began, Dong-joo saw this was an opportunity and blamed his younger brother leadership. He suggested to replace the company management with him again but shareholders neglected. At the same time founder's daughter, Shin Young-ja was arrested for accepting bribes from various companies and sentenced 3 years prison.

The Lotte clash is the latest example of family business succession battle. While Lotte was based in Japan, Mr. Shin and their sons grew up together in Japan and are known by Japanese names. The management was split between two sons and it was ended in January 2015, when the older son was fired and Lotte becomes One Lotte, One Leader. Mr. Shin failed to map out clear succession plan and triggered a feud. Both of his two sons ran Lotte operations for very long and neither was publicly designated as heir. This is the source of problems made by Mr. Shin who is an unwillingness to pass the business through succession. He believes he can hold the company until the end.

Is it end?

Prosecutor assumed big chaebols such as Lotte group, Samsung group and other are connected to the corruption scandal of South Korea president Park Geun-hye and charged chairman Shin

Dong-bin with bribery. According to prosecutors' statement, Park is also charged with the abuse of power and coercion by pressuring big chaebols to contribute funds to the nonprofit foundation. Lotte denied the allegation that makes improper deals with Park. Samsung group also denied that statement.

Chaebols are the South Korean form of business conglomerate which means Chae as wealth or property and bol as faction or clan which use the same Chinese character, Zaibatsu in Japan. Hyundai group, Samsung group, and Lotte group are known as Chaebols. They are not just business, they become an imperial dynasty of today modern firm and they have a huge influence in the political areas. Lots of dramas, warfare, unholy marriage, suicide, etc occur.

Coming few days, Shin family will face the court together to answer the questions about whether they involved in white-collar crime. Dong-joo has confident to win the control of the group and clears his name in the court. If Dong-bin convicted, Dong-joo has a chance to raise his voice over his management rights. Dong-joo told to his younger brother, he would better apologize to his father and come back to the family. He mentioned that they should be united as a family in the interview last year.

Shin Dong-joo, the older brother is still waiting the time to grip the power of Lotte even he lost several times. His final target is to take control Lotte told to foreign media. He mentioned that his brother, Dong-bin and current management destroyed Lotte good corporate culture. He is trying to pull off a unique coup in Korean corporate history but no coup has succeeded in the history.

Dong-joo gave a copy of testimony to Korean prosecutors in earlier 2015. He is waiting for the best chance, it would be if his younger brother, Dong-bin was convicted of the crime as the result of an investigation this year.

This is all about Lotte case but it is still happening. Most of the big chaebols had such complicated sandals but they are doing just fine now.

Otsuka Succession Feud

What is Otsuka?

Otsuka Kagu, Ltd is the biggest high-end furniture retailer in Japan, headquartered in Tokyo. The trademark is IDC OTSUKA (International Design Center). Otsuka was founded by Katsuhisa Otsuka in 1969 as Otsukakagu Center. Kagu means furniture in Japanese. Business is selling furniture and sales revenue is 56 billion yen (2013). The key people are Kumiko Otsuka (President and CEO) and Katsuhisa Otsuka (Founder) The business was declined when Katsuhisa passed control to his daughter, Kumiko Otsuka in 2009. Katsuhisa stayed as chairman after Kumiko succession and owned 18 percent of company's shares. Otsuka became public after Kumiko implement her strategy to compete with foreign brands such as IKEA by Sweden and domestic brand such as Nitori.

What is the problem?

The company founder tried to fire his daughter, Kumiko five-year she served as president. After succession, 20% of sales were dropped and stock price had fallen more than half. Time is changing and if she keeps doing things the way her father did; Otsuka could end up destroying the business. So, Kumiko changed the business strategy but it did not sit well with her father.

In July 2014, her father demanded her removal and went television to let know the public what he thought about her. Both founder and his wife blamed Kumiko about her management in the shareholder meeting. He reinstated himself as the helm of the company, but shareholders did

not give favor to Katsuhisa, in January 2015, his daughter returned as CEO by the vote of shareholders.

Kumiko challenges

Kumiko was 42 years old when she became president. All the executive who had surrounded her father are almost 25 years older. She is a women leader, less than 1 percent of Japanese biggest companies are led by female CEOs.

How did Kumiko transform the company?

She decided to run the company efficiently. She changed the high-end store to the showroom and let the customer roam without being followed by a salesperson. She cut the expensive policy of providing sales staff for each customer and reduced mailed advertisements. The price competition becomes intense, she introduces small shop that specializes in Scandinavian furniture and gave cheaper offers to customers. Instead of building the strength of the past 40 years as a business, she implements some reforms to keep up with the today's consumers.

She is trying to get the company more mass market appeal rather than competing with other brands. She cut the cost to turn the operating profit positive. She told that it is time to change our organization to the one that let the company grow even without the founder. She introduces the membership system and it is optional, so the shoppers can look freely around the store.

Katsuhisa action

Katsuhisa said he had five children, Kumiko was the eldest and she was a difficult birth. He got regret for passing the company to his daughter, Kumiko and he mentioned as the only mistake he ever made. He said he can run the company for next 10 or 20 years more, so he decided to return as CEO. He does not like the strategy her daughter made. He believes courteous service from staff with specialized knowledge adds more value to the buyer from Otsuka.

Chiyoko, Katsuhisa's wife action

She made a speech which was criticizing her daughter at the board meeting and another shareholder yelled to stop her speech. She told her daughter that the way she builds the company is wrong and she needs to stop abusing the employees.

Kumiko action

She stops talking to her father since April 2015, after announcing half off sale on furniture. She blamed her father for the operating loss which is 1.4 billion yen. Her father countered that his daughter was taking the retailer down market.

At the end of the meeting, Kumiko was voted to keep as president by shareholders. It is hard to have a good family and good business. Kumiko really cares about the company but she changed the strategy her father did.

This is the Japan's first proxy battle since the country adopted corporate governance guidelines. This conflict highlights the risk of failed succession planning at Japanese companies that have high family ownership. 70 percent of family business failed after succession because they try to keep everybody happy, follow the founder passions and sometimes founders are too prideful to let go the business.

Chapter 5 Major Findings and Discussion

Lotte Scandal

All the problems happen because of the failure of succession. The founder is too prideful to let go the business and he thinks he can manage until he dies. Now he has mental health problem due to his aging, he cannot make a proper decision and nobody followed him. He just gives responsibility for his sons to manage his company, elder brother to manage Lotte in Japan and younger brother to manage Lotte in Korea. But he did not officially announce the heir of the Lotte.

He did not consider future problems of succession battle between sons. He did not split Lotte equally, so the one who got less feel painful and bear anger which grows days by days. People are always greedy and jealous and it is nature of human. We always try to compete for each other to get a better life than other people. If somebody has a better life, we sometimes jealous and we want to possess such kind of life. Some people try to compete in a proper way but some not. The competition involves attacks or defends which creates sources of mistrust that leads everybody in the system to conflict.

The founder did not think much for the succession. He thinks he can work forever and he did not estimate the fight between brothers. The emotional conflict begins when their father cannot manage the business. Lotte Japan is smaller than Lotte in Korea, compare to size, which is one-fifth of the whole Lotte group. Older brother feels, it is unfair and he wants to control more. Additionally, the founder did not make official succession plan which created this giant conflict.

The older brother started to buy shares from Lotte Korea to gain his power. It means the older brother starts attacking to acquire more power. The younger brother did not want to split the power and started to defend. The conflict becomes intense because they stop talking and never meet each other. They try to use avoiding technique because they did not pay attention to they don't care what the other people needs, want to avoid the conflict easily and ignore each other. Due to the avoiding, the hate become stronger and the relationship between two brothers turn into hostile and the fight for the leadership become intense. Finally, they see each other as the enemy and try to find defect each other. They fired each other because they are afraid to lose their current position and they want to secure their life. People from their surrounding encourage them to fight.

Younger brother found out older brother's bad investment, which lost company profit hugely and he got a chance to kicked out his older brother from Lotte Japan. The younger brother secured his future by the using dominating, competing technique and removed his brother from Lotte. It seems to be bullying, his brother is also a son of the founder and the mistake he made is not that huge. He can recover in the future. But younger brother did not forgive because of the greediness and he wants to rule Lotte alone. Lotte becomes one Lotte, one leader and younger brother won the fight.

Competing or dominating is not a good way to solve the problem. One people may win the fight for short-term, but he has to pay the very high price in long-term and most likely to create another conflict. The older brother is a strong guy and he never gives up. He believes, he still has

a chance to win the fight. He waited the right moment to fight back and finally he used his father, who is suffering aging disease to obtain his power back. He tried to fire 6 directors including the younger brother with the power of the founder, he tried to challenge current Lotte management, tried to attack the younger brother, which is a consequence of the previous fight and destructive reciprocity follow.

This is the result of the attack and defend. We are human being and we reciprocate in both constructive and destructive way based on the action we receive. Once we have mistrust, it is sure to lead self-need orientation involvement. In this case, two brothers lost their trust, see each other as competitors, finally want to hurt each other for self-needs. Younger brother seems to be smart and most of the shareholders support him at that time. The next day, he controlled the power of Lotte by kicking his father out from the company management position by the vote of shareholders and this happened due to the power struggle between two sons.

Elder brother lost that fight again. He is criticized as a difficult person to deal with by former Lotte employee and he did not have much support in the group. This is the reason why he failed every attempt to fight against younger brother. As we can see all the actions of both brothers is very extreme as the result of mistrust. The relationship is completely destroyed due to the behavior of both brothers did and these things are derived from the mistrust. It is important to reconstruct trust rather than attacking or defending, it can change completely in the future. If somebody starts to construct trust, the chance is better to neutral to the conflict. In this case, both

brothers respond each other with bad moves, which makes the conflict worst and both of them were influenced by self-need orientation involvement.

Younger brother kicked out his father from the business which is unacceptable behavior and it is very rude. The founder has a mental disorder but he may know about it and feel very sad. But he can't take any action because he is too old to deal with current management lead by the younger son. His time is over and the shareholders stay on the side of the younger son. This is the founder mistake, he failed to establish succession plan as well as failed to stop the succession battle between two sons because he took the power for too long. He may get regret for it. If he had a clear succession plan, everybody in the system may be satisfied each other, follow his plan and he may no longer suffer like this.

It is a sad story but good example in family business studies. We get many lessons from Lotte case which are; how succession is important, if there is no succession plan in family business, they will suffer like Lotte. There will be a huge fight within the family for power and money. The following are the important things that I found from Lotte case.

- Every family business needs clear succession plan and it needs to be fair for everybody.
- The founder needs to choose the right people for the right place, do not choose the people who are only looking for self-need orientation.
- The founder needs to consider future conflict after succession.
- If there is a fight among family members for succession, we should deeply consider and need to kill the source of the problem before it grows.

Lotte case is never ending because older brother never stops trying to get the management back. He lost every attempt to conquer the company which makes hate inside him grows more. Finally, he found out his younger brother bribery case and gave information to prosecutors. Now Lotte is under investigating by Korean prosecutors and found younger brother participated in the illegal moment but he did not admit yet. The older brother action becomes extreme and we can see how much he hates his little brother. This is due to the respond of the younger brother, who did not consider a long-term relationship, who seek only self-needs, who only look temporary solution to overcome the conflict which created this situation. At the same time, the daughter of the founder is in the prison for the bribery case.

The current situation of Lotte family is very bad due to the mistrust that grows among family members, finally everybody looks only for self-need, self-need orientation behavior follows. All the family members suffer such kind of sadness because of the poor conflict resolution of Lotte and selfishness of each individual.

Future of Lotte

We do not know that younger brother committed illegal deals with former president or not. We are waiting for the results of the investigation with much suspicious. The succession battle becomes very interesting. If somebody makes the wrong move, he will definitely go to jail and somebody will take over the management. Lotte lost some business due to the scandals but Lotte is too big to fail. Most chaebols have lots of drama because they are too giant and extremely rich. Greediness from older brother and selfishness from the younger brother trigger Lotte scandal and

the conflict resolution of each individual is poor, which cost them to pay a high price in long-term and continue to create more conflicts in the future.

What we learn from Lotte case

To be concluded, Lotte case is the failure of succession as a consequence, their family life is completely destroyed due to the power struggle between two brothers. Succession needs a time frame to get stable management. Lotte case does not happen overnight, it needs more than 10 years for succession to be stabilized. Clear succession announcement from the founder is required and he failed to leave the management early. He should divide the company equally, assign the responsibility equally and stay away from the management early, so he can see the problems between them. If the problems between two brothers cannot be solved, it is better to split the business in order to prevent firing each other.

The founder, he managed to build the giant business empire but he failed to leave as a result, the scandal occurs. If he can manage to leave early and perform succession well, there will be no such problems. This is the only mistake he ever made in his life and he will regret. Nobody lives forever, we have to leave all the things we belong when we die. So before we die, we have to manage everything properly in order to prevent conflict happening in the future. If not, we will face sadness, sorrows, regrets, worries and complicated conflicts in the future. This is the lessons what I learned from Lotte, behind the sense of very rich.

Otsuka Succession Feud

This is a conflict between father and daughter. Business is going down during daughter time and father had a worry for the company he built. Actually, it started during his time, he did not realize it. Japanese furniture market becomes competitive as well as foreign brands penetrate to the local market with various modern design and cheap price. Otsuka aims to the high-end customer with high care. But today people are looking for cheaper products with good quality and the daughter understand the current market needs.

She realized if they continue like this, the business will perish in the future. So, she decided and changed the whole business strategy. Her father thought she was doing wrong way, neglecting his strategies which were a huge success in the past. Business is always changing and she adopted new model but her father did not understand what she was doing. The emotional conflict begins and there is a small fight between daughter and father. Actually, it was not a big problem, it was just misunderstanding each other and lack of communication which trigger the big conflict.

Both of them did not pay much attention to each other because they are busy with their business and the daughter completely ignored the father wish. She uses avoidance technique to run away from the conflict because at that time she was busy with company reforming. At last, her father cannot control his anger, because the daughter ignored his feeling and neglected his previous achievement, so he decided to use the competing or dominating technique to control her daughter instead of using compromising. He demanded her removal from the management and went to public and let everybody know about this conflict.

This is all about lack of understanding to each other and lack of communicating. I also have same issues with my parents. They only know what they want to be and they completely ignore my feeling. I found out that it is normal for some typical family and this case might be the same. Parents are always busy with their lives and there is no proper communication. If we do not act what they said they become angry and the conflict begins, then they try to influence with the power of parents. They give punishment such as grounding, etc. In this case, founder wants to control her daughter by taking the power back because she did not listen to him and do whatever she wants.

Actually, the founder should use, compromising technique to relieve the certain tension between them and try to maintain the relationship. The daughter is president of the company, she is very busy and she cannot give time for proper communication. This is the mistake of both parties, one person is a lack of understanding and the other one is a lack of communicating. When conflict begins, the mistrust follows. The good relationship starts to broke up based on the mistrust, create win/lose prospects, which leads to attack and defend behaviors. The father started attacking to his daughter, then forgiveness of both parties is lost and the relationship is completely destroyed.

Everything leads to destructive reciprocity. The daughter did not give up the position for the president of Otsuka because she knows that she is right but she tries to run away from the problem, she is still using avoidance technique. She stops talking to her father when the conflict began which makes the conflict worst. Finally, the wife of founder participated in the conflict, stood on the side of the founder. The mistake, Kumiko made is stop communicating because she wants to run away from the problems and it is the end of the relationship. We cannot solve the

problem without communicating. Communication is very important in problem-solving and we need to communicate each other instead of run away from the problems. Avoiding is a short-term solution and it doesn't work well in the future.

The way Kumiko solve the problem was totally wrong, she should give time with her father no matter how busy she is, discusses the future plan with real facts. Both of them need to understand each other ideas and pay attention to both feelings and maintain the good relationship. The daughter needs to give respect to her father ideas instead of ignoring and she should try to maintain the good relationship. She should recognize his previous achievement and competencies, tell him how good it was and try to pursue the new changes. On point, she should give time with the family and focus on the relationship instead of reforming the business.

It is better to make a private meeting with her father, discuss all problems of current situations and take some options. He is the man who builds the business, he has enough experiences and he is still useful in the management, adapt new changes with his ideas, try to improve the relationship. If he doesn't agree with new things, ask him to read articles, discuss it, develop perception on feeling and behavior, use the help of 3rd party neutral people. Give time to make him understand the changes and develop his agreement slowly.

Father should release the control of the business after succession. It is very difficult to make a decision with two leaders. Everybody has different thoughts, perspective, and ideas. He already passed the business to his daughter, so he should only give her advice to have better management.

He already chose her for the succession, why did not he fully trust on her performance. That why I mentioned entrepreneurial exit is the important part of the family business in my literature review. He should stay away from the management after succession. In a hard time, it is better to give encouragement than blaming. He should give her enough time to develop her changes. Most people follow her ideas and changes, and why doesn't he follow?

After few fights, they lost respect to each other and forgiveness also disappears. They seem each other as the enemy. They lost trust and this is the only reason the conflict become intense. Children should start to maintain this relationship. We need to reconstruct trust again and always think win/win solution. Parents are the people who raise us to be a better person, they support their entire life for us. They own never ending thanks. We should not angry with them. They are the best people in our life. If there is conflict, we need to start to reconstruct the trust and apologize even we are right, give time to explain and try to solve the problems softly.

When parents become older, they feel weak. They sacrificed their youth for us and they were very patient and now it is time to take care. This practice is rarely seen in western culture. It is from eastern and this is the best practice for the humanity. They need love and respect from the children and we should definitely give them back. We have a responsibility to fix the relationship if it is broken. We need to show our love to our parents and they will understand and forgive what we had done. Every conflict makes a stronger relationship if we can solve wisely.

On the parents' side, parents should remove the old traditional concept. Some are out of date and useless in the current world. They should make a flexible relationship and give encourage even their children lost in the fight instead of blaming. When they become old, after retirement, they should spend their life for improving the community. That why, we defined retire age at 65. After 65, we cannot work well like when we were young. It is general for everybody but some can work after retirement age. But it is better to prepare to get a peaceful life.

They worked entire life and it is time to rest and enjoy the life. They have enough money and all they need is a good family and peaceful life. As I am a Buddhist and we believe afterlife. If we do good things before we die, we will live better in next life. Most people in my country are Buddhists and they are busy with doing good deeds, meditating, donating, improving the community, etc. They are busy with doing such things for society. Because we understand that all tangible things that we had made, never come together with us when we die. It is better to spend and share our achievements with the people who really need and our name will be left in the community when we die.

To conclude the Otsuka case, I found many defects from both father and daughter. First of all, the father never let the daughter manage alone and did not give enough time for her new strategies. This conflict is related to generation conflict, while the younger generation wants to grow and accept many risks while the older generation keeps the business steadily and much more resistant to risk. After succession, the founder should stay away from the management and do not need to worry about the business. He already chose the right person and she will not let the business

goes wrong. The way both of them solving the conflict is extremely wrong and that makes the conflict bigger and the relationship ends. This is all about what I learned from Otuska cases, I will write own recommendations for both cases based on certain theory in the next chapter.

Chapter 6 Recommendations and Discussion

Most conflicts start from very small upsets, build and grow into full-size battle. Conflict exists when one person has a need and that need is not being met with another person. In the resolution of conflict, the first step we need to express the needs and then step two, find out if the need can or cannot be met. If the need can be met then we have a resolution, if not, we need negotiation to resolve the conflict or we go into the management conflict.

I found the common facts from these two case studies, they go straight from having an unmet need for management conflict by passing step one and step two because they are afraid and do not talk to each other. Management conflict looks like attacking, defending, withdrawing, getting sick, the silent treatment, backstabbing, gossiping, shouting, blocking, being aggressive and getting angry. When conflict becomes too tough or sensitive or difficult to handle then we really need to think seriously about involving a neutral third party to mediate the dispute.

Before we solve the conflict, everybody in the system needs to understand Stephen Covey's habit number 5, seek first to understand and then to be understood. If we get really understand the other person point of view, then we can get our point to cross much easier.

In this chapter, I would like to build some recommendation for each case and important factors for family business from my point of view. My conflict resolution for each case study is

based on Thomas and Killmann Model with the support of Stephen Convey's Seven Habits of highly effective people.

I have learned many lessons from two cases studies. First of all, I would like to mention important factors we have to aware to prevent conflict in family business based on two case studies I used in my research. These are communication, family life, money and power, succession plan, and the entrepreneur exit.

Communication

The two case studies I choose for my research is completely different. But I found one similar factor which is a lack of communication. Communication is crucial for a human being and it is key to dealing with people. If we stop communicating, we cannot fix the problems, it means we ignore the other people feeling, thoughts, ideas, and emotion and define that person never existed in the life. It makes hate growing and forms intense conflict. We need to discuss openly and negotiate our feeling and emotion by communicating. In order to improve communication, we have to use Convey's habit number 5 seek first to understand and then to be understood. Most people listen intently to reply not try to understand. We need empathic listening, which is listening to intent to understand with feeling, emotionally and intellectually.

Communication starts with listening. Effective communication is frequent and consistency. We often need to create a meeting or a forum where we can talk about things that we are worried

about or the problems we are having. The communication needs to be clear and being direct. Openness and honesty are also important in communication and we need time to construct good and effective communication.

Family

Not only in the family business but also in our lives, the family is the most important aspect. It is better to build happy family rather than successful business. In order to create happy family life, we need closer, warmer, good relationships, kindness, love, patient, understanding, and much more deep emotion, etc. If we have a regular family meeting, it is better to get closer relationship among family members. This makes family members more united, create a cooperative environment, easy to make important decisions, etc. The family trip also reminds our childhood family life and we should put the family issue as a first priority. If we put business as a first priority, there will definitely be conflict within the family. We can create new businesses if we lost, but it is very difficult to create happy family life again if the relationship is broken.

Money and Power

All the conflict happen because of money and power because they are very useful tools in real life. We can do almost everything with money and power, which makes us desire to get more that leads greediness. It is also social status; people think if they have more money, they can live proudly in the community. It may be true somehow but they lose the most important things for their greediness. Later they will be controlled by money and power. They forget every good thing they have; such as family life, brotherhoods, friendships, etc. It is nature of human being but it is important to educate since childhood not to be greedy. Self-control is very important and we need

to aware ourselves. If we follow money and power too much, conflict may happen soon because everybody likes money and power, and there is no limitation. If there is a power struggle within a family like Lotte case, business should be split up, because business is too big and the greediness of each individual has no limitation and problem seems to happen again and again in the future.

Succession Plan

Every family business must have clear succession plan which needs to be fair for every family member. An entrepreneur needs to choose the right people. We need a certain amount of time for succession to create stable management. The entrepreneur should retire early, train the next generation and help to create new management together with a successor. If there is a problem in succession, the family should take aids from professional, organize well, solve slowly and kill the source.

The final solution should be win/win for everybody. Otherwise, no solution is better than win/lose scenario because one party is not satisfied with the result and there will be conflict again. Most problems are based on emotion and it needs time to cure. We need to kill the root of the problem, to prevent the same problem happening again in the future. If we can't solve, it is better to split the business.

Entrepreneur Exit

After succession, the entrepreneur should stay away from the management. Let the successor do everything alone, he or she does not need supervision because with supervision it may create uncomfortable management. The entrepreneur needs to trust on a successor, he already chose the right person and that person will never make business perish. Give advice and support from the back if necessary. Do not blame the successor during a hard time, it may be the weakest time for him. It is better to give encouragement during that time and stand on his side to get strength. An entrepreneur needs to listen to the voice of other people, if other people agree with a new leader, do not disturb his management. An entrepreneur always needs to update the knowledge if he wants to participate in the business after the succession. Business is always changing and if we don't keep up, we will be left.

I learned great lessons from two case studies above and get some recommendations to solve their problems. We should better prevent such conflicts before happen, because conflicts are bad, they damage the image of the organization, lost profit as well as the trust from the society, destroyed family life, and images, etc. But not all conflicts are bad, which means we know the weakness of the organization, people and if we solve wisely, we will get stronger management in the future. These conflicts may be good examples for next generation and they can avoid such mistakes in their time. I would like to remind that we need a good family life rather than good business.

Solution for Lotte case

By looking Lotte case, the conflict reaches a very sensitive level and difficult to handle. We have to think very carefully to recover the situation. I think we still have a chance to solve but we need to think wisely because the conflict becomes very complex. I think it is better to use the Collaborating technique by Thomas and Killmann to resolve this conflict by the help of Convey's 7 habits of highly effective people.

In this case, satisfaction from both parties is important that why I recommended collaborating method to solve the conflict. It includes lots of listening, deep listening, understanding, and forgiveness. The cooperativeness of both brothers is crucial. The younger brother is the current winner and he should reduce his greediness, try to apologize for the past, try to negotiate with an older brother, share the power and work together with the older brother. If the younger brother tries to be good, the older brother will be good to him. Older brother still gives him a chance to apologize their father.

Let's start with Convey's habit number four, which is always think win/win. From now, both of the two brothers start thinking win win situation because it satisfies both parties and it is long-term conflict resolution. It is time to discuss, negotiate the individual needs, try to understand each other and work together again like old days. If they cannot solve the problems by themselves, they should get help from third party professional, sit down together, discuss for future relationship, and find out the best solution for long-term. The Younger brother is the winner and he became the chairman. It would be better if the younger brother starts mending the broken relationship by

offering a hand to the older brother and apologize everything he did. If he considers the long-term relationship, he should give power back to his brother and reconstruct the trust again.

If I were the younger brother, I will stop attacking and reconstruct the better relationship. He is the sons of the founder and he should have the equal power. The younger brother won the fight but he cannot stop his brother. So he needs to understand the power of collaboration and try to perform win/win situation. We are human being and we may make mistake sometimes. We are not perfect and not always win the fight. It is better to prepare for win/win situation for all the attack. So another person will satisfy and he will stop attacking one day. Peace is the best thing and if we want the peace, we have to consider win-win for everybody in the system. Otherwise, somebody will not satisfy and he will continue to attack until he gets satisfaction.

The older brother gives younger brother a chance to reconstruct the trust and relationship but the younger brother is too prideful and selfish. He should reduce his self-needs if he considers for his future because nobody can defend continuous attack and he may fail one day. We need to move on Covey's habit number five, which is seek first to understand and then to be understood. If we can understand each other well, it is very easy to create a win-win solution for everybody because we know the other people needs. We have to use empathic listening to understand each other and it is not easy, we need a longer period to get everybody on board and we need to feel each other feeling and emotion. If we understand the others, we will know their perspective and goals.

At that time, we can create win/win solution and we can easily establish Covey's habit number 6, synergize. When we understand and value the difference each other, we have opportunities to create synergy, work together again and try to achieve new possibilities and alternatives through trust. We will achieve the unbelievable result through synergizing each other. I think if we follow Covey's habit number 4,5 and 6, we can achieve collaborating conflict resolution easily. I think this method is the best way to solve Lotte conflict and cooperation of both brothers is also important.

If both of them hesitate to rebound, somebody will end in the jail because of the intense fight and the business will be hugely damaged. People from their surrounding should encourage them to get together, otherwise, they will also perish due to the fight between two brothers. Now the company is under investigating and younger brother faces pressure from prosecutors. This is due to the hate between two brothers and somebody will perish soon. Younger brother should consider carefully about his future because this fight never ends until somebody is in the jail. The older brother never gives up because he suffered a lot but he still believes he can dominate the younger brother no matter how strong he is. It is time to be united again, forget about the past, apologise, think win/win solution, try to understand each other and reconstruct trust.

If younger brother is not wise in this time, he may lose everything due to the continuous attack from his brother. He should share the power, try to show the kindness and respect, the older brother will definitely turn to be a good person. Hate is not a good thing, it can grow and explode

one day. It is better to create love with kindness, trust, and respect for the healthy relationship. It is time to stop against each other and real time to consider deeply for the future.

Solution for Otsuka case

For Otsuka case, the situation is not that complex and we still have a chance to fix easily. It is just broken relationship case and we can mend it but we have to be careful because it includes emotions and feeling. I want to use the compromising technique to solve the conflict because we can fix easily and faster. The daughter, she wants the business to success and the founder has also the same direction but the strategies are different due to the individual perspective. Whatever, she should reconstruct the trust by apologizing and understanding her parents even she is right. Parents are always parents, they own us and we should pay respect all the time. She should start communicating with them to reconstruct the relationship.

I think compromising technique is suitable for this case and it is short term solution but it is not good enough for long-term. If we want to prevent such kind of conflict in the future, I would like to recommend collaborating technique. Covey's habit number 4 and 5 is still very effective for this case and I would highly recommend for this case. First, they need to seek a win-win solution that can make everybody satisfy. This case is based on misunderstanding and Covey's habit number 5 will help to align the individual needs by understanding each other well. Both of the parties should kill the pride and should reconstruct the trust and then good relationship. Once we are on the way of habit number 4 and 5, we can easily perform collaborating method to solve all the problem between father and daughter.

My goal of doing this research is understanding certain conflict and try to understand the conflict resolution model. In the future, I will establish my own family business and I want to handle all the conflict in an effective way. We cannot prevent conflict because conflict is nature of a family but we have to prepare our best to deal with conflict. First of all, we have to consider deeply the source of the problem even it is small. Don't ignore the other people feeling. Don't avoid the problems, don't be panic or afraid the conflict because most of the conflicts are misunderstanding among people and we can solve very easily in the beginning stage. I like Covey's seven habits of highly effective people. If an individual has such kind of habits, it is less likely to happen conflict because these habits are highly effective for everyone and I would like to recommend everybody to follow.

Understanding and caring are the most important factors in relationships. When problems occur we have to cope with caring, so we can maintain the trust and relationships even the conflict continue. We have to look from the point of other person and feel like him, so we can understand easily and move on effectively. I understand that if we consider win/win for everyone, understanding each other and know the power of synergy, we can overcome any conflict easily.

Research Limitation

According to my plan, I want to study on multiple case studies and I would like to find out more. But I cannot access enough data from other cases, such as the information is not strong enough to carry out research. Some cases the problem affecting family business research include lack of secondary data sources forcing researchers to conduct field research studies. Field studies

are very difficult to achieve because the family business owners are less interested in participating in such studies, the wide spectrum of family businesses, the lack of theories for hypothesis testing and the lack of commonly accepted definition of a family business.

So, I decided to use only 2 cases for my research because time and scope are limited. I chose two different cases and two of them are Japanese family business with different problems. I chose Lotte scandal cases because it is very popular right now and nobody did research on it. This case is very complex and I need more time and data to carry out more research. The second case is Otsuka Furniture conflict which happened in 2015. It is also the latest family conflict in Japan and it has a unique problem. These are the main reasons why I chose two cases above.

Future Aspect

I always have a conflict with my parents and this makes me motivated to study this research. I came to Japan because I ran away from the conflict. Most of the conflicts are generation conflicts and I don't know how to solve it. Avoiding, running away from the conflict is the only solution that I got. This research gives me certain satisfaction even though scope, time and data are limited. In the future, I will continue studies on conflict because of my interest.

Right now, I am chasing my dream but I don't let my parents know about my current achievement because I am trying to avoid the conflict. If they know, there will be a big conflict

and I may lose their support. But I will let them know when I achieve a certain level of my dream and I am trying my best to prove that I can make it and hopefully they will understand me one day.

In the future, I would like to continue my research on Lotte issue because it is still happening and there will be some facts that I did not find out yet. Lotte case is very interesting and I would like to study until the end. Right now, I made possible recommendations for Lotte case according to certain theories. If they follow according to my solution, I think the conflict can be solved effectively but I think I need to continue my research to dig deeper and get certain strong solutions for the future.

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