

FAMILY BUSINESS CONFLICTS

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1. INTRODUCTION:

1.1. Research objectives:

The society usually perceives the conflicts like a negative aspect that represents a problem, but this is not certain, since the conflict by itself is not a problem. Within the companies a conflict does not have to consider a negative aspect, since what it really can be detrimental or beneficial for an organization it is the form and the time in which they solve. These factors really can create the true economic damages, social and emotional for the employees and managers of the companies. Therefore, the work focuses on the identification of conflicts within companies, as well as the different alternatives that are used today to solve conflicts, specifically, in family business, because they are essential to the economy of any country.

It can be said that the issues we try to analyse and respond to throughout the work are:

- What is a business conflict?
- What is the operation of family business?
- What are the most common conflicts in family business?
- What procedures of resolution of conflicts are possible to apply in the familiar business?

In the first part of the work it is defined what is a conflict, as well as the different factors that affect their development. This is necessary to be able to understand the evolution that has had the resolution of the conflicts throughout history and as they affect these to the companies.

The work is only focused on family business. As we will see throughout the work, family business are the largest business block of the economy in most countries in Europe, both the number of companies out there, such as the impact these have on economic indicators (GDP, unemployment rate, etc.).

The objective of our research is to analyse the management of family business, find out what the major conflicts that affect them and, finally, compare this with a study of two cases of conflict in real companies.

First, we analyse the two cases of actual conflict and how to resolve and, moreover, give a number of possible resolutions of conflicts that could have been applied in both cases. This is important because in both cases justice just taking the final decision.

1.2. Methodology:

When we began the research, we were many doubts about the project approach. I started reading articles about conflicts in companies, their consequences, conflicts in different countries, hierarchical conflicts, etc. that were available on the network and the internet service of the Library of the University Jaume I of Castellón. Among them caught my attention the press articles about the conflicts that occurred in the Spanish family business.

Initially, I have leaned in theoretical books to understand the different types from conflicts that we found within the companies and the repercussions of such.

Later, when I cantered the work in the familiar companies, the book use also went the base to begin to understand the different theories that I have used to study the operation of the familiar companies, as well as the different types from conflicts that are within these.

After studying the different theories that spoke on the operation of the familiar companies and the conflicts that occur within these, we happened to look for in different magazines specialized like the magazine “Management: Magazine of economy” or “the Mediate” magazine, for example. In these magazines we have had the opportunity to read articles of professionals who have present vision of the study of the conflicts within the familiar companies.

Finally, to make the study of the practical cases, we have leaned in different articles of press made in Spanish newspapers like El Mundo, El País or El Economico, with the objective to study thorough the conflicts of two Spanish familiar companies, as well as their evolution and resolution.

1.3. The conflict:

1.3.1. Definition of conflict:

To begin this section, we will define what the conflict and the influence that they can have in organizations.

There is a long list of authors who have attempted to define the concept of conflict and any of them can be considered as single, definitive, and not always a conflict arises for the same reasons, but depends on the context and the factors that influence it. As Kolb and Putnam (1992) say, "there are many definitions of conflict situations able to solve it"

There are many different definitions of conflict that we find, because a conflict does not happen in organizations only, but it can arise in a family environment, between brothers, between departments within a department, between different hierarchical levels, etc. Pruitt (1981) defines that a conflict is like an episode in which a part, within a relation, tries to influence the other, while this tries to resist and, on the other hand, Smith (1987) says that a conflict arises when there is an interdependence relation between two subjects and their objectives are incompatible. As we can verify, none of the two definitions or visions on which it is a conflict is unique, since, both can be adapted to which it would be a conflict situation.

1.3.2. Types of conflicts:

The great variety of reasons that can make a conflict has given rise to that a great variety of classification of conflicts exists. In our study, we use the content of conflicts and the effects that these can have as two criteria to classify different types of conflicts to which we can find.

- **Conflicts classification by its content:**

Thomas (1992) tries to classify disputes according to their content, what was the reason for the conflict and among them we find conflicts of interest, opinion and policy.

- **Interest conflicts:** conflict actors have different objectives (to obtain limited resources, to satisfy its own necessities, etc.) taking place a threat of one of the subjects towards the other and preventing to get to obtain its objectives him.
- **Opinion conflicts:** this type of conflicts are, in the fact, that both parts have a thought or different belief before a fact, so that the parts perceive that the other thoughts or beliefs are false.

- Normative conflicts: these conflicts are focused on the evaluation of the conduct of one of the parts of the conflict on the other, that is to say, on which they are the expectations that are had on how the others would have to behave. These types of conflicts are based on ethical and moral standards.

- **conflicts Classification by its effects:**

Tando Pondy (1967) and Morton Deutsch (1973) tried to classify conflicts considering the effects that conflicts had. We have four types of conflict putting the classification of both authors has:

- Relationship conflicts: this type of conflicts is focused in the relations that settle down between the members of the organization, without influencing in these the organizational structure (relations of authority, responsibilities, etc.)
- Strategic conflicts: they directly affect the organizational structure, although its repercussion ion may affect the responsibility, authority or rank of some of the persons involved in the conflict.
- Constructive conflicts: are the ones by which satisfactory results are obtained for all persons involved in the conflict, that is to say, the important things is "best for all".
- Destructive conflicts: the results of these conflicts only can be considered satisfactory for a part, being able to regard them like positive for a part that the opposite has not obtained the obtained result. The objectives of parts are negative (The purpose is to affect negatively to other part, rather than protect yourselves at same time)

2. COMMON FACTORS CONFLICTS:

When we speak about a conflict, we must not only take into account the fact that creates the conflict or the conflict itself, but must observe everything around him, that is to say, its environment.

There are diverse factors that influence conflict and which influence as much direct, as indirectly in them causes and repercussions that a conflict can have within a family business. We are going to work on this aspect, being treated to analyse which are the factors that influence to a conflict.

2.1. Historical factors in conflict resolution

This section will give an overview over the history to find out what are the different methods from resolution of conflicts that have occurred throughout history, with the objective of knowing which it has been his evolution, from the impact of the industrial revolution, until nowadays.

We start talking about the impact of the industrial revolution within organizations. The industrial revolution led to a transformation of both ideas, as the structures and relationships that were in organizations. In them the "social question" where, because of the conditions of life and work and a considerable increase in industrial labour, began using the social state intervention in labour issues arose. At last, we can say that conflict and labour problems were becoming social problems, taking these a major important and being the conflict between capital and labour targets mediating the conflict, with a clear task: to solve since State or from the professional "self-solve" collective disputes arising.

In 1919, already established industrial revolution, industry first committees were established in Spain, which try to regularize the 8-hour workday and tried to create a "Tips for industrial cooperation," to enable the intermediary between the workers' demands and management needs, but not consolidated.

Then, with the dictatorship of Primo de Rivera and the subsequent emergence of the Republicans Juries, on the mid-30's, appeared tribunal formed by employers and labour unions, which acted in rural areas ending up in the intervening more industrial, with the aim of enforcing procurement rules and conditions.

Already in the years 60-70, with the dictatorship of Franco, broke with the structure of agencies involved in labour employers and workers. The Spanish law then did not recognize the possibility of collective disputes, but accepted individual labour disputes, to be nothing more than a union official, the "vertical union", the more hierarchical established in the republic.

As we can see, the legal structure has changed throughout history it that regulates conflict resolution. Nowadays, we find with unions that defend the rights of workers, taking into account the existence of a labour law that regulates the conditions of work.

Within organizations has been influential all this historical evolution, since, in organizations, we find influence among workers union representatives, who are responsible for negotiating issues related to working conditions. Similarly, we can say this is influenced management with departmental, individual and collective disputes, and that somehow these will be resolved following the policy that the company, which will be influenced by the current legislation and how to work and conflict management having the organization.

2.2. Structural factors

In this section we will try to analyse and to classify the different factors that influence in a conflict and which they have relation with the organizational structure of the organizations, as well as of its relation between the members of the organization.

Organizational structures are configurations resulting from the organizations, which are formed by the components of the business of the organization and tend to form naturally.

Indicate the organizational characteristics that are a potential source of conflict is difficult because the conflict is a situation that is attached to any organization and "every aspect of organizational life which creates order and coordination of efforts must overcome other tendencies to action wherein lies the potential conflict " (Van de Vliert, 1998).

The same characteristics can affect the conflict differently and the relationship between them does not imply causation.

Given all this, we found the following characteristics that influence the conflict:

- Structural aspects: number of hierarchical level, number of departments, decentralisation, ion specialization, heterogeneity among members of the organization.
- Ambiguity tasks, resources or criterion of evaluation.
- Role conflicts, control and innovative positions.
- Cultural characteristics: increase of the conflicts by differences in: objectives, reciprocal opening, tolerance or by diversity of values between the members of the group or the group and its superior ones.

2.3. Interdependence

Some features that influence the conflict are related to the characteristics of the members of the organizations. Research suggests that these features can be classified into the age difference, education and training, professional and personal experience, social and organizational status and gender, although that last one has now been shown to have less and less impact.

"Interdependence is the situation in which the results of one of the parts affected by the actions of others" (Johnson and Johnson, 1989). This is relevant to analyse, since dependency between the subjects involved in the conflict affect the possible solution that can be given to the conflict, therefore, we must differentiate between positive and negative interdependence and appearance. Within family firms this aspect is very important because usually members of family business are in continuous contact in the world of work and family, this being a factor of success or failure for the family business.

The positive interdependence is that in which the objectives persecuted by both parts agree, but there is some disagreement as to the activities that have to be done to get them. For example, within a marketing department come to the joint conclusion and accepted his members of which the new manufactured product should be promoted, but one part claims that should be promoted through television advertisements and other claims that TV ads are expensive and are not profitable and therefore should

promote through advertisements in the press. In this situation, both parts have a concrete goal is to promote a product, but there is disagreement as to the activities that must be done to promote it.

On the other hand, the negative interdependence is that in which the subjects perceive that the goals pursued by both parts, as well as actions to achieve them, are incompatible. For instance, a company formed by two partners, has an economic resource. One partner wants to invest this resource in a bank for the company to grow, however, the other partner thinks it is best to distribute it directly, without investing. As we can see, in this situation the goals pursued by the partners are not the same, because everyone thinks differently about what you should use to give the resource of the company and, therefore. Also the actions that must be performed to reach their goals are different as to invest money in the company should lead to an investment bank and yet, for the distribution of benefits the money should be equally shared between the two partners.

TABLE 1: Interdependencies between the parts (Deutsch, 1973)

<i>INTERDEPENDENCE</i>	Entailment with own objectives	Entailment with the other part objectives
Positive	High and positive	Positive
Negative	High and positive	Negative
Relatively positive	Low and positive	Positive
Very negative	Low and positive	Negative

3. THE FAMILY BUSINESS:

What is a family business? A family business is a concept that tries to differentiate a type from company that grows in number throughout the years, being founded by “the impulse of a founder, with the objective of which it survives throughout several generations of members of the family” (Martinez Nogueira, 1980).

There are many definitions that try to classify this type of family business. Those definitions that propose a clear demarcation between which are familiar company and what it is not they propose descriptions that or are excessively complex, or do not gather cases that the common sense would define as familiar company.

A company is considered familiar when “during two generations it has belonged to a family and when I tie company-family has exerted a mutual influence on the policy, the interests and the objectives of the family” (Donnelley, Robert, 1984). Although, not always it must pass through two generations to consider itself in if familiar, but that is sufficient if “it has at least been during a generation existing a dynamic relation between the members of a family and the executives of the company, with the influence on the policy of the company” (Dailey, Reushiling and Of Mong, 1978).

But, really, why are we going to make a study on this type of companies and the conflicts that this type of companies they have? In our day to day we were with many familiar business: bakeries, supermarkets, restaurants, etc. daily actions as to go to by the bread or taking a coffee they are possible thanks to these companies.

In Spain we find 3,195,210 SMEs (99% of companies are SMEs). We can't say that this is a differential aspect of our country, because Europe has more than 20 million companies generating 65 million direct jobs. But these data should be added that the vast majority of small and medium enterprises belong to a family group (Randel, Florent-Treacy and Kets de Vires, 2008).

TABLE 2: Percentage of SMEs in Spain (INE, 2012)

	Micro without employees	Micro	Small	Medium	EMEs	Great	Total
SPAIN	1.763.120	1.286.587	121.601	20.108	3.191.416	3.794	3.195.210
%	55,2	40,3	3,8	0,6	99,9	0,1	100
UE-27 %	92,2		6,5	1,1	99,8	0,2	100

In our country the importance is well-known that has the SMEs in the generation use. These companies occupy around 63% of the total of the employees in Spain, but we entered in detail, we see that the smallest companies, considered microenterprises when having between 1 and 9 workers, are those that contribute more use to the country, having up to 4.076.179 workers, whereas the small companies (between 10 and 49 employees) have 2.360.300 employees, and Medium (between 50 and 249) the 2.051.700 employees. The small companies are, normally, those that more jobs generate.

Table 3: Employment generated by SMEs in Spain (Department of Employment, 2012)

	Micro (0-9)	Small (10-49)	Medium (50-249)	EMEs (0-249)	Great (250 and more)	Total
SPAIN	4.076.179	2.360.300	2.051.700	8.488.179	5.015.300	13.503.479
%	30,2	17,5	15,2	62,9	37,1	100
UE-27 %	29,6	20,6	17,2	67,4	32,6	100

All family business find the vast majority small and medium enterprises were classified as follows, according to their degree of familiarity¹:

- Companies with high family degree: to this type of pure family business is denominated to him, as they have of characteristic that the totality of the property is familiar, where the directive positions and the positions of the board of directors are occupied by members of the same family. The majority usually is until the third generation.
- Companies with medium family degree: denominated "mixed family business", that are those companies with a lower degree of family than before, because the ownership of the company is distributed among relatives and other people outside the family. The same applies to management positions and the board of administration. Usually they are between the companies that they have more than three generations of history.
- Companies with low family degree: they are the calls private companies, where most of the property it does not belong to a same family and

¹ Fuentes Lombardo, Hernandez Ortiz y Vallejo Martos, 2008.

the directive positions and of the board of administration are occupied by external members the family. Most of these companies are in first generation.

3.1. Family business analysis:

3.1.1. Family and business

Like define a family business, the concept of family has no single way to define, but we find different definitions of this concept as the historical moment.

Alberdi (1991) defines the concept of family as an "organization consisting of two or more persons related by affection, and affiliation marriage, living together, put together financial resources and consume a range of goods of daily life".

Seven years later, in 2006, the author Antonia Sánchez Urios² said the family has a dual nature. The family concept has a "private dimension", which focuses "to serve the individual needs" as each one of its members and, on the other hand, has a public dimension, which should be useful to the society of which part, socialization being one of its main components.

The same author also made a classification of the dimension of family operation, in which we find communication, the conflicts and their resolution, control and flexibility, relationships, alliances or coalitions and beliefs. As we can see, the named features can also be found in any business, both familiar and unfamiliar. Therefore, it is deduced that if all these aspects are characteristic of the familiar conflicts and the companies, the moments at which we did not appreciate any conflict or tension between the members of a familiar organization, supposedly it is a parenthesis in the course towards another situation only, more or less conflicting and that can be beneficial or detrimental for the familiar company.

Emphasizing the role of the family in the family business, we must know what advantages and disadvantages of a family business, since family business perform the same activities as other organizations and are continually by negative and positive aspects that affect performance. Braidot and Soto (1999) made the following classification of the advantages and disadvantages of family business:

² Sánchez, A. University of Murcia professor (2006)

Table 4: Advantages and disadvantages of family business

ADVANTAGES	
COMMITMENT	For the founding partner, the company is very important because that created it and is responsible for it. The commitment and dedication of the founding member extending between the members of the company, which are also responsible for their development.
KNOWLEDGE	Most family business have know-how itself, so they have their own working methods and its own procedures. The family members learn strategies followed by the company and what are the ways of working of the company, being transferred the know-how from generation to generation.
FLEXIBILITY	The family spends time working on her own business in most cases, so the family members understand that they must sacrifice their time and their salary if necessary, to meet the obligations of the company.
LONG RANGE PLANNING	Members of the family business are very efficient to plan ahead, as they must minimize risks and act appropriately to changes in the short term, not just the assets of the company but to the family estate in many cases.
CULTURE	In most family business, employees often do not vary and the same employees working for years. This makes know the philosophy and way of working of the company, uniting the members of the organization culture of the family business and the values that she has.
DISADVANTAGES	
STIFFNESS	Family business usually has a traditional management, with a simple structure, where members of the family business always perform the same tasks and the same. This barrier when adapting to market changes.
SUCCESSION	In any business change involving conflicts leader does, however, family business must simultaneously solve the problems of transition of the company with the emotional problems arising from family succession or transfer of the family business.

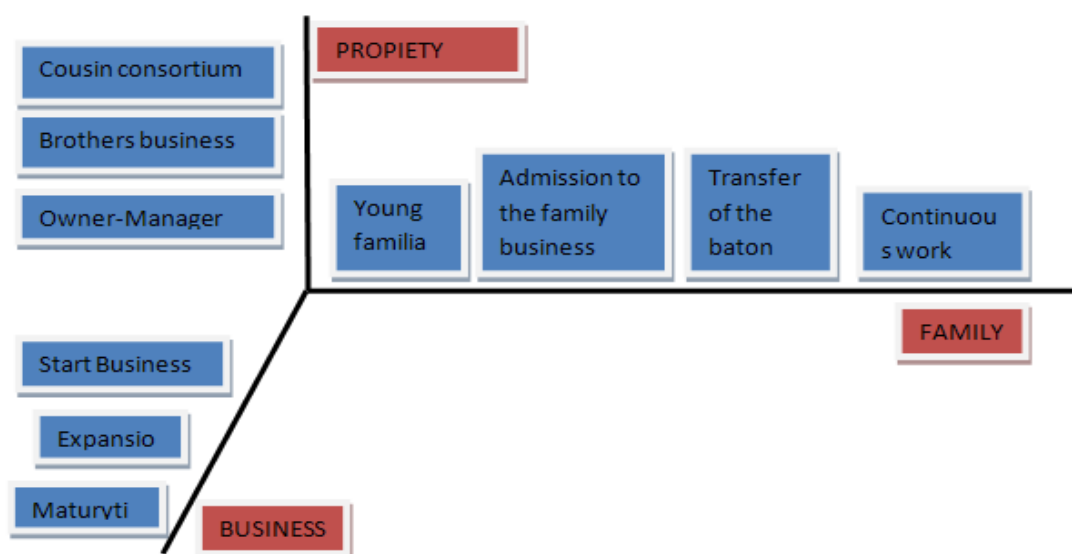
EMOTIONAL CONFLICT	They may face the interests of the family and the company, creating a conflict. In discussing family business performance and results, however, within the family. Therefore, this protection and loyalty may interfere in the family business, leading to conflict.
LEADERSHIP	In some family business reach leadership can be unclear, since the succession of power not specified a particular leader. "It is therefore important to understand the need for each generation to resolve their own conflicts and empower and legitimize their descendants, including preparation for the eventual succession" ³

3.1.2. Evolution of a family business:

A family business in their growth goes through a predictable evolutionary process. During the evolution of family business, the leaders face constant challenges that do that as much the company, as the family matures and grows. But when the family business is not able to anticipate these challenges, we find conflicts.

Next, the four common phases of development cycle of family business, showing the conflicts those family business face throughout its existence, by the evolutionary model of Gersick, Davis, Hampton, & Lansberg (1997):

FIGURE 1: The evolutionary model (Gersick, Davis, Hampton, & Lansberg, 1997)



³ Braidot y Soto (1999)

Evolution of the company:

In this stage, we showed the evolution that has the company. We can compare it with the evolution of any company, but in this case one has considered the aspects related to the familiar companies and some conflicts, since this it is the study object. The three stages that we found within the evolution of the company are: beginning or creation of the family business, expansion of the familiar company and maturity:

- Creation of the family business:

Before the company is created, the founder of the company is in the process of creating a new project and encounters many problems associated with raising capital, developing a competitive product and that fits the market and the environment, etc. really, to compile means necessary to make arrive the product at the market and obtain benefit with it.

Moreover, the business must find competent employees to the new company, although in most cases, usually always the members of the family who help the founder, hiring employees is usually the next step of the cycle.

- Family business expansion:

Meanwhile the company grows, the founding partner must deal with many different problems. Changes in the business environment force the family itself to make decisions to maintain a competitive advantage. This is the moment when you realize that they alone can't manage the whole company and should share responsibilities and delegate power to other members, as we mentioned above, can be external to the company hired people. Usually, we find a great competition between familiar and non-familiar members who belong to the family business when competing for leadership positions.

The family business grows and founding partner is in charge of teaching the values and beliefs of the company to in still throughout the company, to set and keep the next generations. This is because the company grows, while the family, the children begin to participate in the business and then when the business relationship begins to leave the immediate family circle. The sons of the founder member marry and become part of the business, may have part ownership of the company.

The most stable periods are found in the middle of the stage, when members of the companies are already committed to a particular structure, ownership and organizational design, which are the determinants of a positive or negative growth.

- Maturity:

In the latter process of evolution of the property, the founder has not the same power as before, because the company is formed by a group of family members, employees who are not family and it is possible that some investors. All they have different interests.

In a business climate where every member of the company has their own interests, conflicts is the order of the day. Hence, the family business must make strategic changes and face this stage managing these conflicts and trying to make members who have different interests to reach a common agreement in accordance with established positions.

Evolution of the property:

Considering the point of view of a that belongs the property of the company, it is possible to be emphasized that the familiar companies begin with a founding owner, that passes its inheritance to its children (society of brothers) and that finally finalizes with the partnership of cousins, finalizing therefore the branch of direct family with the founding partner in transmission of the property of the company.

- Business founder:

At this stage, an entrepreneur creates a business from scratch, giving shape and needed to enter the market conditions.

The main objective of founding these companies initially is to control your own business, which allows the enjoyment and benefit of what you really like, but later, over the years, this objective is credited leaving an inheritance to children or relatives more business.

- Society of Brothers:

In the s. XVI to XIX, the laws allowed adopt the call "majority", which was to link the propriety and management of the company to a single son, but nowadays the things have changed. The effective legislation, as it says in art. 813 of the Spanish Civil Code, force to leave a "legitimate" part to all the brothers and, in case that the father wishes to

leave him all the company in property to a brother only could not, could not, because he is forced to leave that legitimate part to the other son.

Normally, some of the brothers work in the family business, being executives, in addition to partners and shareholders, while others choose to be owners only. In some occasions, the owner controller does not plan the succession in the management and property of the company in equal parts and try to handle it the best thing than they can. This lack of planning is the one that can generate conflicts, if the brothers do not decide to reach an agreement and these conflicts usually are of destructive character, since they end at judgments and, in the most extreme cases, in the sale of the familiar company.

- Consortium cousins:

At this stage, we start with first cousins, extending to the second degree and, in some cases reaching miss the direct descendants.

The family business at this stage becomes a very different company, because having a larger number of shareholders, several of which usually possibly unrelated to the direct management of the company, but simply owning.

Here, we enter a phase in which the founding family, while still the owner, and does not have all the control that the owner and driver stage, therefore, the values and beliefs have been slowly reduced. It's what happens to family business that have grown (Telepizza, El Corte Ingles, etc.).

The above companies are known internationally and have been forced to develop their business, open branches and increase sales through a process of professionalization of their activities, as they have been obliged to incorporate staff training and experience, standardizing processes previously communicated simply through generations.

Evolution of family management:

The evolution of the family in relation to the family business can be divided into four stages:

- Young business: the owners have minor children (children have 18 years old).

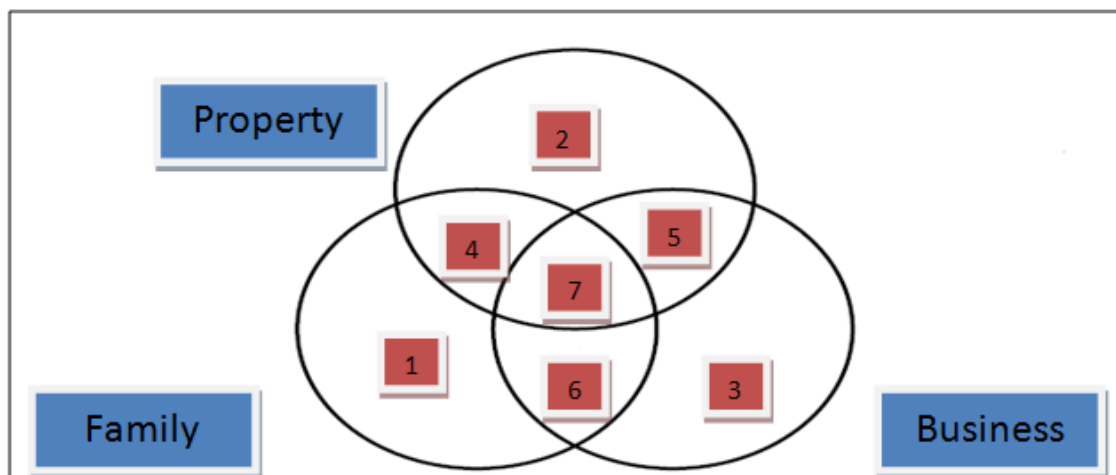
- Monetary income in the family business: in this stage the children or are of legal age or are in legal age to be able to work (16 years) and they are gotten up to the familiar business.
- Joint work: children and parents begin to work more independently within the family business, obtaining and managing philosophy and to develop corporate culture, as well as work processes are performed.
- Transfer of bastion control: parents leave their children an heritage property and management of the family business. They take over the control of the company.

The shown process is filled with conflicts and problems that take to develop to the company to the success or failure. Although people that is in the company are same (except in the last stage which the founding partner has left the control and management of the company), the fundamental property and strategic subjects happen at the hands of the children, so that the decisions can change of radical form.

3.1.3. Family business system:

To understand better the system of the family business Tagiuri and Davis developed a subsystem model in 1982 called "three-circle model of family business". This model relates the family, business and property. It serves as a tool for understanding the roles of the members of the organization and we need it as a source of research conflicts that may arise. All members of the company are represented in each of the numbers found in the following figure:

- **FIGURE 2 : Model of the three circles (Tagiuri and Davis, 1982)**



1. Family member (does not own or employee)
2. Owner Member (not family or employee)
3. Member employee (not family or owner)
4. Owner and family member (not used)
5. Member and owner employee (not family)
6. Employee family member (not owner)
7. Family member, employee and owner.

The first subsystem of the family is at the left of the figure and consists of the family members that have relation with the company. The second subsystem, the property consists of all owners of the company, and may be partners or shareholders. And, to the right of the figure, is the company that is formed by the company employees subsystem. These three subsystems are considered external sectors, because its components belong to a single sector.

Four to seven sectors are considered domestic sectors, because all the members that form are attached directly to the organization. Every single member of the company sits on the model.

Below is a table with the objectives, activities and government bodies explained earlier model of the three circles:

Table 5: Objectives, activities and governance (Tagiuri and Davis, 1982)

	OBJECTIVES	ACTIVITIES	GOVERNING BODIES
FAMILY	Maintaining family harmony Personal development of the members of the family business	Defining the mission and family protocol. Design and effective management of family government bodies Managing family conflicts	Family Council
PROPERTY	Maintaining harmony shareholding Management of family assets in	Determining the strategic plan of the company Design and efficient	Shareholders Board of Directors

	order to maintain and increase it Maintenance and improvement of profitability and competitive position	management of the organs of government shareholding Selection of members of the Management Board Management of conflicts between shareholders Selecting the successor	
BUSINESS	Maximum efficiency Improving organizational climate Continuous organizational development	Design of organizational structure Managing change and innovation Establishment of human resources policy	Steering committee Other functional committees

Later, an extension was made of the Model of the three circles where one is the interests of each one of the members of the family business. (Gersik, Davis, Mc Collom, Ampton and Lansberg. (1997)

Table 6: Interest of the members of in the familiar company according to roll (Tagiuri and Davis, 1982)

ROLE MODEL	INTEREST
1. Family Member	Economic means to survive
2. Owner Member	Return on investment, dividends and ability to sell shares
3. Member employee	Job security, commitment to the culture of the owning family
4. Owner and family member	Employment and economic security, responsibility and autonomy
5. Member employee and owner	Job security, dividends and effort to have the power
6. Family member and employee	Similar to the interests 1 and 2
7. Family member, employee and owner	All of the above

But the members of the family business are not limited to the first generation (founding generation), but it can pass over a generation, generations even match. As time passes and the company evolves, there are new members involved in the business and involved in the model.

Some of the conflicts which the family business are related to the passage of time. Santiago Antognolli⁴, says that "in 61% of cases, the reasons that lead to the demise of family business is produced in the generational transfer, produced by relationship conflicts between members of the company", and these members the found in the model of the 3 circles.

It is essential to analyse periods of change between the three stages that are the most conflicts generated within family business and influencing future development. Transitions are opportunities to guide the course of business and raise a fundamental change, the life cycle of a family business.

3.1.4. The dynamics of family business

In the familiar company the conflicts that take place have a greater repercussion than in the nonfamily company, because in family business the family is the primary group, where the direct relations are more intense and have greater presence the affection and the passions. But the family is a small primary group does not mean that it is complex, because the privacy of the relationships established among its members, creating permanent tensions ranging from the family circle to circle and labour can end in conflict.

On the other hand, the company is a dynamic "complex organization, plural, and where both family members who have no relationship with the company, as members outside the family circle and belong only to the business community involved. Therefore, in the family business find external challenges from the competitive environment, and internal due to the presence of different perspectives, which can generate conflict and personal conflicts of interest" (Corona , 2005).

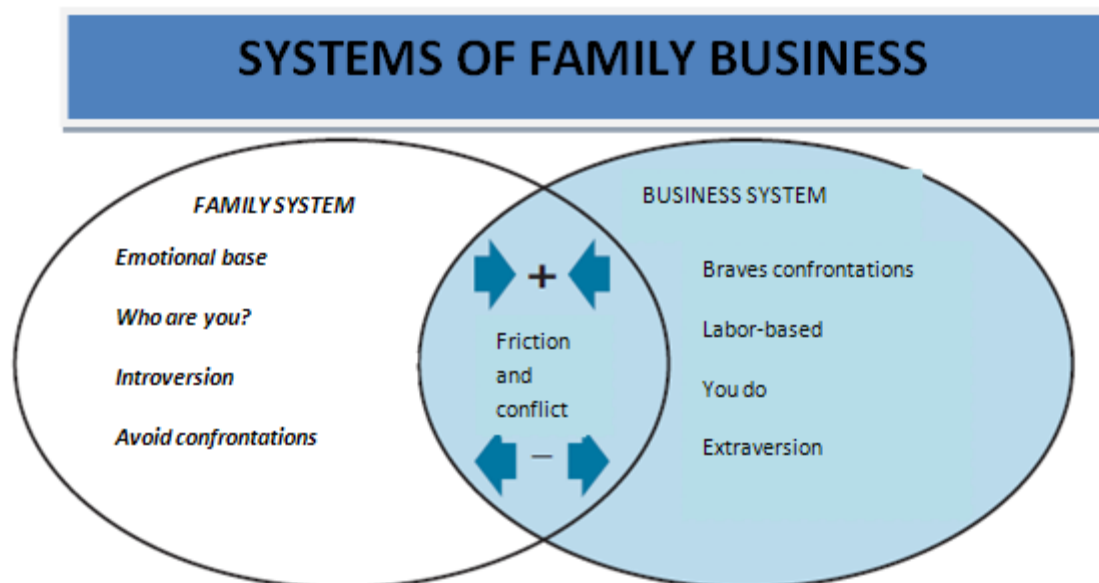
We can say that the family business consists of two groups, the family group (family) and the business group (property and business). The objectives of the two groups are very different, so the business group objective is to generate profit, by creating an

⁴ Santiago Antognolli is educational and consultant that work in Program of Familiar Companies of the s. XXI Enterprise University.

effective organizational culture, having special relevance aspects such as objectives, results, rational logic, formal relations and team work. Whereas the objective of the familiar group is the one to use that benefit to subsist and to advance in the relative aspects familiar life, having an affective relational culture and consequently its values they are on the contrary the development of the emotional aspects, the expectations, the informal bows of blood, relations and a familiar culture that values to its members reason why they are and reason why they do not do. Björnberg and the Nicholsons reached the conclusion in 2007 that “when both systems are joined without no type of control, planning and prevention, an increase in the probability that will take place conflicts arise that can as much be very destructive for the results of the company like for the familiar structure”

One of the main causes of imbalance and conflict between the two cores can be found in the failure to differentiate the objectives of each core or in what place and time should try to get. Failure to be clear which corresponds to each of these nuclei will lead to make inappropriate decisions can generate a lot of tension in the household and poor performance in the family business (Casillas et al., 2010)

FIGURE 3: Model of the two nuclei (Tagiuri and David, 1980)



Tagiuri and Davis (1980) created a model of two cores through which they tried to explain the dynamics of a family business by creating two circles. This model represents the two cores described above, the family unit, located on the left side, and

the business centre, located on the right side to join and create an area called "conflict zone", as we can observe in Figure 3.

Against farther between the family unit and more are reduced core business is the conflict zone. This means that separate circles means that each kernel knows what your goals are, respect the roles it plays in everyday and correctly identify each core spaces and moments that correspond to each of them. However, the fact of not having clear objectives that correspond to each of the cores, respect the roles each plays in the day to day in each core and know not correctly identify the appropriate space and time, will lead behaviours and poor decisions, resulting an attraction of both circles and an extension of the conflict zone in the model.

4. CONFLICT IN THE FAMILY BUSINESS:

To part of the conflicts that any company can have, the familiar companies have the conflict that comes from the familiar relations. "The familiar company produces a tendency to the centralized control, a conflict of rolls in the exercise of the positions, an emotional direction and a strong resistance to the change. These manifestations characteristic of this type of companies imply, in principle, a more ineffective operation". (Husenman, 1998)

Emotional factors are critical in this type of business and the incorporation of the company family spread the family atmosphere of these emotions, situations causing unfairness, injustice, favouritism and conflicts that directly affect the management of these companies, which is what makes them successful or fail along your business life. "The personalities and emotional reactions create bottlenecks that work against good management" and that "efficiency is reduced when family members talk excessively about family matters during working hours." (Levinson, 1998)

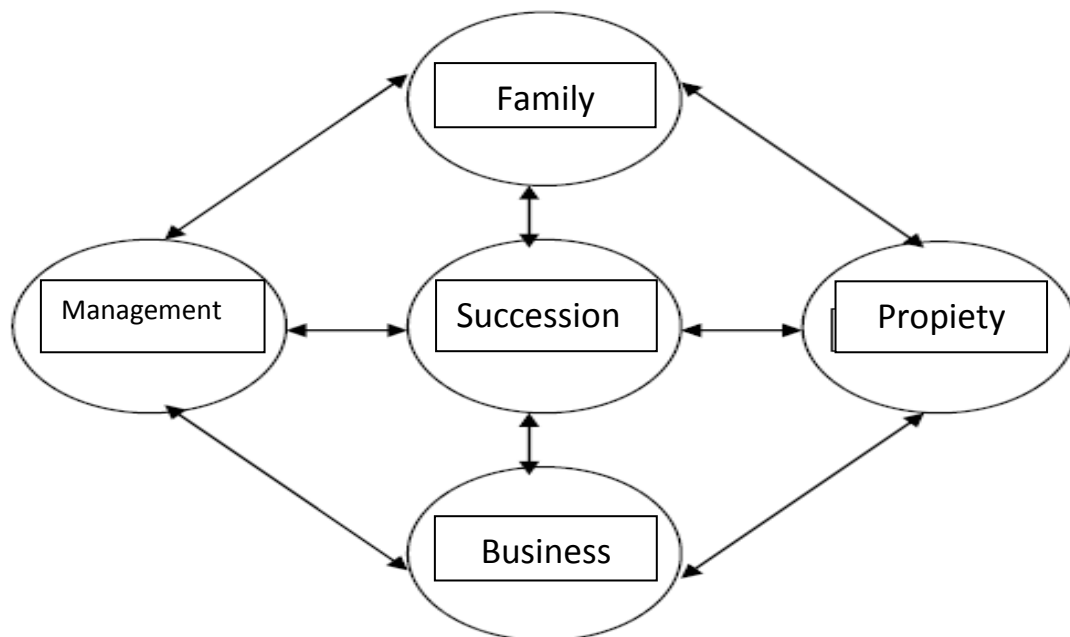
In short, we can say that the root of all causes of the conflict lies in the separation of family and business matters.

4.1. The five circles model:

The model of the five circles model is complementary to the three circles of Davis, this work is presented above and to analyse conflicts within the family business.

The model analyses five different types of problems that are related to each of the five that you divide the family business: the family, property, business, management and succession.

FIGURE 4: The model of the five circles (Amat, 2000)



The area of the family is the element that distinguishes as well to the familiar companies, of which they are not it. Within this element, one is to study the most excellent factors like are, the familiar values, relations and the guidelines of communication that promote within each family industrialist, as well as the influence of the family in the company.

Secondly, the model includes five circles element or property area. The most relevant factors in this are those related to the power structure of the shareholders or owners of the family business, and their relationship to the shareholders belonging to the family business and those without. On the other hand, this area is also studying aspects related to the management of business assets, the legal and financial aspects governing the family business and the effectiveness of the governing bodies of the same.

The third area of the model is the business, which tries to study, from a vision of the enterprise strategy, the competitiveness of the familiar company, which belongs to its strategic options related to the markets in which it operates, products or services that offer in such and the resources and policies of the familiar business.

We can differentiate a series from excellent factors in this area. These factors are: the type of strategy the company uses (degree of internationalization, differentiation, how to obtain resources, etc.) And the characteristics of the strategic process (influence of the board within the family business, use of alliances strategic, level of use of customer surveys, etc.).

The next area that differentiates the pattern of five circles is management, that deals with the aspects related to the organization the resources of the familiar company (human, material and technological), used to implant the strategies and to obtain the established objectives.

Among the factors that has this area of the model of the five circles, is noteworthy: degree professionalization (formalization of tasks, hierarchical decentralization, etc.), Degree of formalization of the budget control system and the degree of formalization policy human resources (training, promotion, career plans, etc.).

The last area in which the model of the five circles focuses is the area of succession. The succession of the family business is a family business process usually has all along its history and the process ends with the transfer of decision-making and ownership, these being some of the most important and critical processes that ensure business continuity.

The strong emotional bonding between the family business and the family, as we mentioned at work, makes it one of the most important aspects and generate more conflicts within family business. Therefore, the most influential factors and gives more attention to the model are: the attitude of the hereditary leader, and planning the next steps in this process and the relationship between the leader and potential successors.

4.2. Main causes of conflict:

The conflicts within the familiar companies, since we have been able to observe in the previous section, can very arrive to be varied. But we can affirm that the centre of most of the conflict is in the separation between the familiar and enterprise subjects (Astrachan, Klein & Smyrnios, 2001). For that reason, we will indicate as they are the main causes of conflicts that come associate to the family, the property of the company and the succession of the leaders of the familiar company.

4.2.1. Conflicts associated with the family:

The existence of rivalries and family tensions skills is one of the main problems that directly affect the family business, creating the appearance of conflicts. The employees of a familiar company have a strong emotional load that is the one that takes to create these tensions. The familiar conflicts usually are more serious when the number of relatives is greater and in the familiar companies that the property belongs to the second or third generation in ahead, since there is a smaller interaction among them.

Conflicts associated with the family can be of various types and involve different members. The conflict may be between the founder and the resources used by the heir; between father and son by inheritance issues, management styles, etc..; and the most common conflict between brothers or cousins, the power produced by the company, remuneration or property. Normally, the latter are the most common because the family is separated into more than one branch and each family member has their own interests and objectives.

On the other hand, the influence of family on the family business can cause conflicts in the professional relationship, both between family members who are employed in the family business, as employees who are not members of the family. These conflicts usually are by the imposition of the personal or familiar interests to the enterprise interests, for example, to contract a incompetent friend for a job before to a professional that we do not know.

All conflicts occur in the family business when no mechanisms to prevent or do not have a good preparation for conflict management. The two variables that should be highlighted in such conflicts are: communication and governance structure. Should be promoted within the business culture open communication, allowing successfully solve any conflict that appears in the company as well as the creation of a government body solid and well structured, able to create rules that prevent the emergence of new conflicts in the future.

4.2.2. Conflicts associated with family business propriety:

The familiar company is conditional to that the share capital can have it a single family or can be shared, in greater or smaller measurement, by several families or members of the family. This implies that, aside from the conflicts that are generated in any

company, conflicts related to the participation of the family can be generated in the enterprise capital.

As far as the management of business assets there is a risk of confusing the business and family estate. Especially in companies of small or medium size, profits have been reinvested in the company, coming to put personal property in the name of the business or getting financing through provision of family members, which put in risk their personal assets. All this could get to join the limit between the enterprise and familiar finances, getting itself to pay in some occasions the familiar expenses with credit cards to name of the familiar business.

Finally, we found yet another conflict in this area is the dispersion of capital in a large number of shareholders. This conflict is necessary to name and explain because it can have a negative influence on the continuity of the company.

While the familiar company grows throughout the time of progressive form, the family also does, increasing number of tie members to the familiar company. This supposes the fragmentation of the initial capital in small participation, generating great problems as the increase of the difficulty to make enterprise decisions.

4.2.3. Conflicts associated to the succession of the familiar company:

The probability that the familiar companies separate the transition between the first and second generation is very low, since previously we have mentioned, at this moment the capital in too many parts is divided, little is united, different interests and objectives, and ends the familiar company disappearing. For that reason we will try to analyse the main causes of conflict that appear in this transition.

The succession process is directly tied with the suitable operation of the four scopes that have been indicated in the model of the five circles, as they are: the family, the property, the business and the management. Any conflict that remains in background throughout the life of the company can resurge negatively in the process of transition of the familiar company repelling.

The familiar problems and of property usually appear at the moment is a dispersion of the property of the company, without a leader or an organizational structure able exists to mediate these conflicts and to solve them. The potential confrontation between the offspring and the parent team confidence can lead to a conflict of personal interests, making the operation and structure of the company during the period before the

succession is completely different to that later. This can take to an improvement of the operation of the company or, in most cases, a deterioration of the same, as the internal and external customers of the company are accustomed to functioning and is difficult to adapt the company to one sharply again.

On the other hand, we find that normally the leader tends to resist the transfer of power and authority that has within the family business. Therefore, in many cases the transfer of propriety takes half, without giving the full power and authority to the successor. These results in conflicts that endanger the continuity of the company, because it has not conducted a training program and incorporation to the successors, may trigger an internal conflict among the candidates for the post of family successors.

However, the leader must be assuming progressively his retirement and he must begin to consider that the election of the successor and its formation must be decision hers. In most cases this occurs with the passage of time, solving most of the aforementioned conflict. But in some cases it is not and usually ends up solving the conflict with the methods found in the following section.

4.3. Conflict prevention in family:

The emergence of conflict in family business, as seen above, can be very harmful, and in some cases has to wipe the family business. Therefore, the question that every family business must make is: what can be done to prevent a conflict?

In this section we mention two mechanisms for conflict prevention in family business such as: internal communication and organization of the structure of the family business.

4.3.1. Internal communication:

Internal communication can be defined as "the set of activities carried out by any organization to create and maintain good relationships with and among its members through the use of different media to keep them informed, integrated and motivated to contribute their work to the achievement of organizational objectives "(Wikipedia)

Marin (1997) makes a distinction between different types of internal communication can have a company, such as formal communication and informal, as well as hierarchical communication, depending on whether it is horizontal, ascending or descending.

- Formal communication: communication whose content is referred labour aspects. The speed of transmissions of this type of communication normally is slow, because it must fulfil a series of bureaucratic formalities.
- Casual communication: Type of communication whose content, in spite of being of labour aspects, uses unofficial channels. It is quicker than the formal one and normally it is used in familiar companies of small size.
- Horizontally communication: It is developed between the employees of a same hierarchic level. Normally it uses channels officials and he is not totally informal. We also know as a flat communication
- Ascending communication: she is that that is made from down upwards in the hierarchy.
- Descending communication: she is that that is made from down upwards in the hierarchy.

Reset internal communication or construct a proper and clear communication, permitting correctly, the exchange of information among members of the family firm can avoid the appearance of conflict.

The biggest obstacle to that family business face are reserved family issues, of which is often not speak for fear of provoking a conflict. When these situations are not solved in time cause relation problems and the relatives face at inadequate moments, replacing the familiar subjects by the enterprise ones, with a negative effect on the familiar company.

“The familiar companies, in which all enjoy working together and where a great dose of mutual respect by the individual contribution exists, can suffer of a lack of trust. Sometimes it happens that the affective bonds and the respect are so strong that they prevent the individuals to express what really they feel, from fear of offending to the others in his more expensive aspirations”. (Harvey, J. 1990)

Some authors have done this through the metaphor of an iceberg⁵. The visible part of the iceberg is visible positions of members of the family business, that is, the initial position that they have. The invisible part of the iceberg would be interest, that is, why have those interests.

When a member of the family business only express its position does not allow other members to understand what are the issues to be addressed, or what the interest or needs. Therefore, getting members of the family business to maintain a conversation in

⁵ <http://www.youtube.com/watch?v=qU6C209sR4Q>

which to express their feelings and prejudices represented at the bottom of the iceberg, would be learning about conflict management and ways to solve them.

Really, the objective to have an appropriate internal communication is not to try to eliminate or to avoid the conflict, but to include/understand as they are the causes of the possible conflict and to learn to manage the situation so that any conflict is not generated.

4.3.2. Organizational structure of family business:

The organization of the structure of the family business is also an important characteristic of the family business, because a correct structure can prevent possible future conflicts. Next we will emphasize as they are the main internal organs that allow the prevention of conflicts in the familiar company, as well as the procedures that are made in them to regulate the conflicts of formal way.

There is no legal regulation that requires having a structure or internal organs in the family business, but to get the family bond and preserve the continuity of the family business, they recommend that the family business has the following internal organs:

- Family Council:

It is the body representing the family in the family business. Its function is to reconcile and seek at all times the family unit, preventing conflict and helping to solve problems or conflict situations once they appear.

Moreover, also in charge of and informs the family members in the affairs of the family business, ensuring compliance with the protocol family.

- Council meeting:

It is the scope where the members of the familiar company make meetings. These meetings are made up by the daily routine, where we found the subjects main that they are going away to treat in this meeting.

Moreover, the chances of meeting success are greater if you have a skilled, neutral and outside the company, is present and active. This person may review the order of the day and even suitable chair the meeting. Thus, all those attending the meeting may express themselves clearly, avoiding direct confrontations between members of the family business, with the help of the expert.

- Board of Directors

The board of directors must consist of at least the future successor, the founder and an external advisor. Shareholders who are not part of the family will have the opportunity to be represented by an external advisor.

- Address:

It consists of the CEO. It is desirable to incorporate specialized personnel and outside the family directory, with the aim of having the CEO external advice to the direction of the company and can make decisions that can't be influenced by family emotions and be as objective as possible.

This body can manage conflicts in accordance with the values and corporate culture before they expand the family business. In addition, the external and outside the company director can turn mediates some conflicts and to manage it properly.

- Family Protocol

The protocol family is a consensual contract, governed by the laws of their own family. This contract is a guarantee for the continuity of the company, because it allows the development of agreements in relation to the basic aspects of the company such as the incorporation of third parts to the family business, decision making, specifying the degree of expertise required in each sector of the company ... marking the values and norms that are distinguished in the family business in the future and prevent possible conflicts.

On the other hand, focusing on conflict resolution, this protocol can name what the moderators or arbitrators who intervene in the case of conflict resolution, avoiding, as we shall see later, attending a judicial resolution of conflicts.

4.4. Conflict resolution in family business:

In the resolution of conflicts within the familiar company we can distinguish personal elements and objective elements. On the one hand, the mediation and the arbitration and by another one, the instruments or agreements destined to the prevention and resolution of conflicts. These instruments, as well, can avoid the processes of the mediation or the arbitration.

Every time the dispute between familiar companies is more frequent and is very habitual to go to the court in the area of the business legislation to solve the conflicts that arise between the proprietors and the administrators from the familiar company.

These types of conflicts almost represent 50% of the resources that appear in the courts.

To address these problematic situations is necessary to separate people from the problem, focus on interests, separating the family-business system and find a mutually beneficial solution. In family business most conflicts are resolved by imposing the idea promoted by the corporate culture, forming barriers to conflict resolution that are not common. Therefore, using negotiation procedures for internal affairs increases the ability of its members to resolve conflicts.

Ultimately, it is advisable to establish a dispute resolution procedure, which should become part of the corporate culture and all family members should know perfectly. No matter what mechanism is used, the important thing is that will prevent conflicts and enable the development and growth of the two interrelated systems found in the family business: the family and the family business.

4.4.1. The corporate arbitration

The arbitration is a procedure by which one the conflict is put under the revision of one or several referees and the members involved in the conflict commit themselves to accept the decision which they take the referees. The experts who evaluate and decide as are the resolution of the conflict are called “referees” and the resolution in his is called “laudo”.

Laudo is mandatory, as it is considered as a judgment, but the decision to arbitrate is voluntary and must be taken by agreement between the members involved in the conflict. Although the laudo can resort and be annulled before the courts by a series of reasons that establishes the legislation.

The effective present legislation it says that the original social statutes will be able to establish that the opposition in the social agreements by the partners or administrators is put under the one decision or several referees of right, entrusting itself the administration of the arbitration and the designation of referees to a by arbitration institution. For that reason, it is possible to be affirmed that the arbitration process totally institutionalized and is recognized by the legislation

The decision in the arbitration has the referee exclusively and is east referee the one that laudo dictates, which is to be accepted and to be fulfilled obligatorily by the

members of the familiar company. Even, if I render is failed to fulfil is possible to be asked for its execution before the judicial organ.

In short, arbitration is a formal method of resolving conflicts and judicial, in which family business can resolve their conflicts definitively if the members of the conflict can't reach an agreement or the interests of each are very different.

4.4.2. Mediation

The mediation is a procedure in which the members of the familiar company which they are in a conflict are advised by a group of mediating experts called. These experts presented their views to try to resolve the conflict quickly and through a specific agreement. Therefore, we can say that the mediation process is based on free and voluntary decision of the members faced and intervention of a mediator

The mediator is the essential part of the model because it is who helps find a negotiated and voluntary solution desired by the parts. The activity of mediation is used in various types of conflicts, requiring skills in many cases depend on the nature of the conflict.

Mediation is a conflict resolution tool that has many advantages from the point of view of individual and collective. Members of the conflict have the opportunity to present their interests and, thanks to the mediation may bring their views without fear of reprisal.

Thus, mediation is especially suitable for some types of conflicts in which the parts seek confidentiality or a necessary urgency in resolving the issue or when the relationship between the parts maintain a degree of relationship, as is the case conflicts between family members.

The agency contract is not defined and state-legislated, although there regional legislation on this. We can buy the agency contract to a contract to provide services whereby a professional (mediator) provides mediation services for which you receive a fee. The key feature of this type of contract is not required to reach an agreement. The mediator shall have the knowledge, skills and experience to be able to perform conflict resolution.

In mediation are confronted members who make a pact and put an end to the conflict, reaching a consensual agreement solution, which makes the level of satisfaction is high for both.

4.4.3. Independent experts:

Procedures allow experts to obtain a solution to a conflict that divides members differ on a technical topic. The value given is that channel conflict resolution on technical matters relating to the company in the best position to resolve, an independent expert. Note that, unlike arbitration and mediation, the independent expert may be chosen by each member of the family company that is faced individually, without having to be the same.

In a family business in which there is a difference on a technical issue can be ordered expert opinion rather than follow a process to end a dispute. An example I often faced is the value of the participation of a family member who wishes to leave the family business. This situation creates a triple frequently problematic. First, the exact value of a company is the subject of differences of opinion, second, the incentives detonate impede the definition and, thirdly, the applicable legal regime is ambiguous and generates an advantage to those who remain.

The family business has the option of appointing an expert and agrees that whatever he considers to be the value of the company shall apply the amount to be paid to the partner who is leaving the family business.

4.4.4. Judicial system

Like last method of resolution of conflicts, when neither the independent mediation, nor experts are able to solve the conflicts, we were with the judicial system. The judgment is the last resource that must to solve the conflicts in familiar companies. When it appears a conflict and it is tried to solve extrajudicial, but one does not reach a solution, the parts can request judicial attendance to solve it.

In court trial where members of the family business that have faced the conflict takes place. Members faced with an attorney as representative, have the right to express their views on the conflict and explain why they are in court.

Finally, once presented the reasons and documents or evidence that each member of the family business has faced, the court shall issue a judgment, which must necessarily comply.

5. CASES OF CONFLICT IN FAMILY BUSINESS:

5.1. El Corte Ingles:

The family business El Corte Ingles was founded in 1934 by Ramón Areces, Asturian entrepreneur who passed away in 1989 and who most of bequeathed the actions to the foundation which he takes his name, dedicated to the scientific patronage. The Foundation has a 55% of the capital whereas another important percentage belongs to directors and employees.

In 2005, then president of El Corte Ingles, Isidoro Alvarez faced a conflict with a small group of shareholders who wanted to sell its stake and quit the family business.

A branch of the family of Celestino, brother' Ramón Areces, filed a civil lawsuit against the family business to not agree with your assessment of the actions undertaken by the company. Then, the shareholders amended the bylaws in order to regulate the purchase of shares to members.

At this time, the company began the procedure in case of dispute and went to an independent expert to conduct a study on the value of the shares. The English Court hired a professor at the Autonomous University of Madrid, which valued each share of the family business at 75 Euros, which amounted to a total value of all shares of some 36 million Euros.

On the other hand, the partner contract to IESE professors to undertake another independent report. This report indicated that the estimation of the value of market of the actions was of 252 Euros/action, which added a total of 98.5 million.

In April 2007, once the two parts did not reach an agreement and decided to attend the judicial system to resolve the conflict. A court of first instance upheld the nephew, forcing El Corte Ingles to pay 98.5 million; but later, the court reversed the judgment of Madrid, and Justice gives reason to El Corte Ingles and estimates the value of 0.7% of shares held by the nephew Isidoro Álvarez by inheritance, validated the decision the Commercial Court does not reflect fair value.

5.1.1. "El Corte Ingles" analysis case:

The conflict in the family business El Corte Ingles is a property dispute in which a branch of the family wants to sell his share of the stock at a higher price than its value, according to the family business.

The conflict resolution method used to solve this conflict was the hiring of independent experts. Each expert had a different assessment of the value of the shares in the family business and neither part accepted the decision taken by the other part expert.

After studies on the value of the shares and the parts to submit the dispute did not reach an agreement, attended court system for a court to settle the dispute. At first upheld the landlord wanted to sell the shares, but later I relented and justice ruled in favour of the family business.

As we can see, the use of independent experts to resolve conflict is not a very suitable method in this case. In my opinion, both sides of the conflict had some expert biased, non-objective, were to assess the price of the shares at a value that would favour its contractor.

In this case, this system of conflict resolution does not result in the parts to negotiate the sale of the shares, but shows the interests of each of the parts to abide by the opposite part, without the option of a joint negotiations leading agreement.

Finally, the conflict had to be I am by a court, which I cause that both parts had to use additional economic resources. In the first place, because both parts must be represented by a lawyer, who is to contract and, secondly, the lost time in this conflict, since they have spent years until being able to solve it.

To avoid going to judicial system and the parts reach agreement, the best prevention method in my opinion was to establish an independent mediator to the family business in the statutes of the same. Thus, when the branch of the family who wanted to get rid of their ownership of the family business put value to their actions, the mediator expert would be responsible for assessing the actions of its actual value and the parts would be forced to comply with this rating.

5.2. EULEN:

Eulen is a Spanish familiar company with presence in the cleaning sectors, sanitary security, services, auxiliary services, temporary work, maintenance, environment and formation, whose founder is David Alvarez Díez. Alvarez founded the familiar company in 1978, which, nowadays, works in twelve different countries (Spain, Portugal, Mexico, Costa Rica, Argentina, Chile, Nicaragua, Panama, Dominican Republic, Uruguay, Peru and the U.S.A.) and invoices 1,340 million annual Euros.

In 2009 there arose a great conflict between the father and founder, David Alvarez, and five of the children, the succession of the company. The Alvarez family is divided into two camps: on the one hand are the founder, who is 87 years old, and two sons, Maria José y Jesús David. Furthermore, the other five children: Marta, Elvira, Juan Carlos, Emilio y Pablo. All children were part of the Board of Directors of Eulen,

In January 2009, five children were asked the father retired from his duties at the company and enable them to have greater control over this. The founder said acquiring 51% of the shares, together with their other two children, Jesús David and María José, to have 14% of the shares, took full control of Eulen.

In response to this decision, the five sons decided to remove his father from the other company of which the family was a shareholder, El Enebro, which controls the cellars of Vega Sicilia. The five children's father denied any political rights in El Enebro, taking the case to court. David Alvarez was then requested an extraordinary shareholders meeting in order to try to cancel the operation carried out by his five children.

After the confrontation of 2009, the children voted on the board of El Enebro, and mostly removed from the presidency of the company to David Alvarez. The confrontation reaches its maximum level, and the parent, outraged, prepared to the courts.

Later, at the end of 2010, David Alvarez signed a document in which only appointed two of his sons, Jesús David y María José, universal heirs of his fortune. Therefore, the other five children receive only legitimate strict. María Teresa Esquisabel Barrena, the third wife of Mr. Alvarez, an annuity receive 12,000 Euros/month, with revision of IPC as well as a cash capital of three million Euros.

In that letter, the founder of Eulen regretted not having been able to successfully transmit some of their children the importance of moral values more valuable. He expressed that he had always tried to maintain unity and harmony of its members. This is found in the Family Protocol that became the founder, where family values were collected.

Thus the struggle for Eulen was resolved, but the fight for ownership of the Juniper, remained.

This company completely controls the capital of Bodegas Vega Sicilia, Neal and Esla Valley. In turn, controls other Vega Sicilia winery and producer of honey The Quexigal. In 1986, the first woman to die of David Alvarez partitioned 100% of the share capital of the seven children, belonging 14.25% of the shares of the company each. Moreover, they recognized the children's father to collect dividend and voting rights of 51% of the capital of that company. That pact was signed in 1986 and renewed in 2006.

Currently, the five children who run this society said the decision pending the Supreme and treated to resolve the conflict concerning the voting rights of the company, since the Father requires 51% in the power of decision and not the property actions.

5.2.1. "EULEN" analysis case:

The conflict in the family business can be classified Eulen succession with a strong influence of the family system in the family business.

First of all, the sons were part of the board, but over the years, when his father decided that children should leave the control of the company, he replied acquiring full control. But the answer of the father before its children was not accepted by all of them.

That's when the family structure within the company was divided. First, two of the sons of the father complied with the decision itself, but the other part, the remaining five children, responded to the decision of the father it away from the board of directors of a company acquired by Eulen, El Enebro.

On the other hand, apart from family conflict within the company, we also find different marriages father, who has been married to three different women, leaving a great legacy to last. According to information gathered, the children did not accept the decisions of the father, impacting all decisions made within the company. The father confronted the children because although repent in its having failed to convey the commitment to the family business to his family, his heritage away in five of his sons inheritance They accounted only part legitimate part of the business.

Finally, the case ends up in court, without being definitively resolved today.

The judicial system is the latest system used in conflict resolution in the family business, as this makes members of family business fail to reach a unanimous agreement, but both parts involved in the conflict must accept the decision of a court other people's to the company and the family.

In this case, the company has a familiar protocol showing family values, therefore, to prevent conflict of succession in which family members are in this protocol should establish the rules and conditions of the succession process, so that both the father and the sons are prepared for succession and are clear about their role in it.

6. CONCLUSION:

After analysing the different definitions and types of conflicts, we conclude that conflicts arise when the interests of two members of the organization are different and, in a way, it isn't supported. These situations create conflicts in family business.

The types of conflicts and the reasons for which they take place very are varied, during the most important work there are outstanding, but, in general, we can induce a conflict occurs for two main reasons: the company (its structure, management, hierarchies, etc.) and members of the companies (their relationships, their degree of relationship, etc.). Not forgetting that the characteristics and history of the environment has great influence on the production and management of conflict.

On the other hand, we focus on family business, which are of vital importance for the economy of any country, the society to us in general it has in mind that a familiar company is a SMEs, but, we have been able to observe, not always it is thus. The conflict cases that we studied, as much El Corte Ingles as EULEN, are great companies, which get to export their products and services to the foreigner. Therefore, family business is not always SMEs, but that can be a company of great size. Since we have seen, so that a company considers single relative is necessary that one or several generations of a family has the control or property of the company.

The family business has an evolution similar to any company. They are created and are expanded within the market, reaching certain degree of maturity and, if they are not able to adapt to environment, finally they will finish in the phase of declivity. All these phases are common in companies, but in companies familiar we found other factors to consider in evolution of companies familiar, as they are property of same, since the entailment goes of generation in generation and to the family, who directly is related to the company, influencing in its operation and decision making.

Importantly, the model of the three circles Tagiuri and Davis because using this model we can understand the relationship between persons who are related to the family business, as well as membership to the subsystems of the company, family and property.

To understand the effect of the relationship between family and business in conflict, Tagiuri and Davis, the same authors who created the model of the three circles, created the model of the two cores. Found in a core family system (family) and other enterprise system (property and business), using this model is desired to establish the

degree of conflict that have a family business by the degree of relationship between the two cores.

On the basis of these models, to analyse the five most common types of disputes in the family business, the model of the five circles is created. In this model we find, in addition to those seen in the model of the three circles, two subsystems: management and succession.

The management subsystem studies how the family organizes its resources in order to carry out the direction of the company and implement strategies to achieve the desired objectives. Factors influencing this subsystem are: the degree of professionalization, formalization of the control system of budgets and formalize the HR policy.

Moreover, the succession subsystem focuses on the transmission power of the family business, as in family business this transmission is particularly relevant for the company-family link. This emotional bond makes the attitude of the hereditary leader, the succession planning process and the relationship between potential successors and the leader, are the most important factors influencing a conflict of succession.

After completion of the operation of the family business and its system, regarding conflicts that can arise, we have moved to analyse in depth the major conflicts of family business, and their possible prevention and resolution.

The most common conflicts are:

- The related family subsystem, which affects members who belong to this subsystem, with the common among relatives of second and third generation (brothers and cousins). Proper internal communication and well-defined governance structure is essential to prevent these conflicts.
- The problems with the division of the share capital are one of the conflicts most common in the familiar companies. It is contiguous between the deprived property of the family and the property of the familiar company is very narrow, for that reason it can often take to confusion that resources to invest in the company and how. A good form to prevent these conflicts is to leave stipulated that type of society is the company (Joint-stock company, Limited Society, etc.), as well as the capital invested in the company, with the objective to mark to the limits between the resources of the company and the relatives.

- In succession phase, we can classify it like critic within the life of a family business. This process is united to all the subsystems (family, property, business and management). During this process it is very probable that any conflict that has remained in background within the familiar and not company has given him importance, can appear in this phase, since it is the phase where the members of the familiar company fight by their interests to take control of the economic aspects and to be able of the familiar company.

In order to avoid this type of conflicts and that the succession process does not generate a fight of interests between the members of the familiar company, a clear project is due to seat in writing and, in some occasions formalized by means of a protocol, in which the norms and process of succession are specified to follow.

Once the mechanisms of prevention of the various conflicts that have seen previously not implemented in a timely and appropriate manner and appeared the conflict itself within the family business should carry out a process of conflict resolution. In this process we find different methods of solving and decision on which one to take can be established in the bylaws of the family business, or you can decide at the time of the appearance of conflict.

The corporate arbitration are formed by members involved in the conflict agreed between abide by the decision (laudo) to take one or more arbitrators. This process is fully institutionalized and established by law.

The mediation is based on the wilfulness and frees decision of the members of the familiar company that have a conflict, since these decide by own will that a group of experts advises to both parts as it is the best form to solve the conflict. Unlike the corporate arbitration, in the mediation the parts of the conflict are not forced to accept the decision of the mediating experts.

Another possibility for the parts to the conflict is hiring independent experts. The independent experts are contracted individually by the parts to the conflict, without both parts hire the same expert. Such experts are usually hired when the conflict is technical (investment value, ambiguity properties, etc.). Each expert makes an assessment of the conflict and presents solutions for the parts to reach agreement.

As a final method of conflict resolution found the judicial system. By this method, both parts, represented and defended by a lawyer, is facing a trial in which a court examines the case of dispute and issues a decision.

To sum up, after studying the function and structure of the family business and the various conflicts and methods of conflict resolution, I come to the conclusion that a family business has greater difficulty reaching establish different mechanisms conflict resolution a company unfamiliar.

The family-owned-enterprise system adds great difficulty to manage cases of conflicts that arise within the family business, since any conflict appears always going to be influenced by more than one of these systems. A dispute over the family business family influences and the owners thereof; family conflict affects the operation of the company and, indirectly, about the owners not the same family and a dispute over the property by the family members and the family business was influenced.

But, as we have seen in the real cases of conflict in two family business, this is not always so. In the case of El Corte Ingles studied, the dispute over the ownership, although the participating members of the family company belonging to the family, the family system is not affected, since the case is managed independently and family is not affected by any factor influencing the family system.

However, in the case of family business Eulen, we have found some influence of the family system in the succession process, as has been stated in various documents that the private life of the founder and head of the family has caused reactions in sons on the family business that has led to conflict.

Moreover, how to avoid that in both cases the conflict were to be resolved through the judicial system was to establish appropriate prevention mechanisms in each case.

In the case of El Corte Ingles, have a fixed pricing mechanism of actions, for example, an objective expert who valued the actions set out in statutes, would have avoided the whole conflict generated by the sale thereof.

On the other hand, in the case of Eulen, good internal communication and have well established boundaries between company-family systems have avoided the conflict generated as a result of the succession of the family business. A part of these mechanisms for conflict prevention, which should be incorporated in the corporate structure, have well-established process of succession of the family business before he came upon it, it would set the same, so that both founded as father and sons of the same, they would have followed him and have avoided such disputes.

When you go to the other branches of conflict research we have a lot of work to find the definitive solution to the management of conflicts. Other interesting branches of

investigation to continue with the made work of investigation can be centred in the management of the conflicts to be able to increase the performance of the family business. At the beginning of the work we have said that the conflict must be interpreted like an opportunity of development for the company. For that reason, the future branches of investigation can be centred in looking for how the performance of the company by means of the management of the conflict can be improved.

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