

THE ROLE OF CONFLICT MANAGEMENT IN DECISION MAKING IN FAMILY COMPANY (CASE STUDY OF LAND ACQUISITION OF PT X FAMILY COMPANY)

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ABSTRACT

This study aims to find out how to manage conflict in decision making in family companies in case study of purchases by family company PT X. PT. X is a family company engaged in transportation, export import and logistics. The problem this family company has is that the company makes a sudden decision in the purchase of land as a family business supporter without careful planning. Such sudden decision-making affects all aspects of the company's family operations. As a result, the company is experiencing cash flow difficulties and faces a prolonged conflict between the founder and the successor of the company PT. This X. This research uses qualitative research methods to get conclusions about how to manage conflict and make good decisions for family company PT X in the future. The author uses the source triangulation method to test the validity and reliability of the research results. Semi-structured interviews and observations became a means of collecting data on this study. Data is reduced and analyzed for use in resolving conflicts and in making decisions. The result of this research is to design ways or methods of managing conflict within family firms by considering open communication among family members covering various issues such as future plans and vision of business strategy and budget planning of family company open and planned and decision making based on agreement family of PT X. It is expected that this method will be able to avoid conflict in the family so that the family company can continue to grow forward.

Keywords: *Family Company, Conflict, Conflict Management, Decision Making, Family Business, Accountability, Family Budget*

INTRODUCTION

Habing located in Surabaya, PT X is engaged in the field of transportation services, especially land transportation. The company is a family-based company originally founded by the author's parents in 1991. The company expanded in 1993. PT X provides Export Import management services in Surabaya. One branch office, Jakarta, experienced a significant development. In addition to transportation service providers, PT. X also traded second vehicles from Singapore and Japan in 1998. At first, PT X only moved in one business area only. Over the course of time, the company is transformed into a "Total Logistics" service center company or a comprehensive Logistics Service Provider.

The founder of PT X wants to add total services as a whole: providing land to support logistics service center and warehousing management services. Automatically, these developments make the business of the company widened. In short, company X not only offers goods delivery services from one place of origin to the destination but also provides storage services (warehousing).

Initially, there was an internal conflict within the management of PT X: the decision of the founder associated with the purchase of assets in the land that will be used as a warehouse of customer goods.

In 2005, the founder of PT X took the initiative to buy land in Surabaya as a garage. Some of the land was also used for rent as storage warehouse and container depot as supporting its transportation business. Everyday operational affairs are quite complicated. This situation is exacerbated by the issue of management arrangements: unnecessary expenditures and contrary to the beginning of the company's direction of standing. All the biggest decisions always came from the founders. Plans and opinions of the second generation were not always acceptable to the founder. This happened because there was no communication and planning first. Funds spent on buying land were huge and even larger than expected.

Both the second generation and the assigned employees were unable to address the issue of land purchase. The absence of organizational structure and clear division of tasks made the company's performance hampered.

The biggest challenge in achieving a sustainable family business enterprise is the absence of conflict within the company. The conditions and facts described above encourage the author to examine a research topic entitled "The Role of Managing Conflict in Decision Making in Family Company PT X". It is expected that this research can give recommendation in the form of solution or strategy for family company X so that this company can stay and grow in the future.

The purpose of this research is: to examine how to manage conflict in decision making at family company PT X in case study of land purchase.

LITERARY REVIEW

Conflict within Family Company

Conflict is a natural element of human relationships. Conflict is something that can not be avoided in life. In life, people struggle with conflict. New changes or innovations are very vulnerable to conflict (destructive), especially if not accompanied by adequate understanding of developing ideas.

Conflicts within family firms are divided into three types: task conflict, process conflict and relationship conflict. Task and process conflict occurs due to operational issues of the company. Task conflict occurs because of disagreement among individuals in family firms about how to achieve goals that they have previously agreed upon. Relationship conflict occurs due to negative feelings or negative emotions of individuals working in family companies such as tension, competition, hatred, hostility of family members. When the conflict is not resolved, communication and trust in the family are difficult to build, let alone make effective decisions. The friction between the people we love and the business interests make the family business unique. Families have a notion that is rooted in the tradition of family generation and business history.

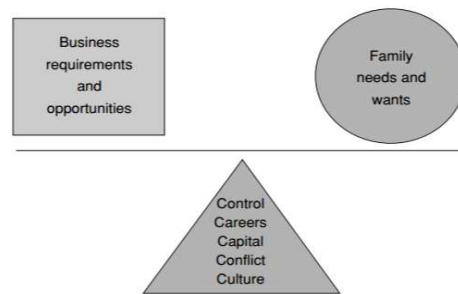


Figure 1. The Family Business Dilemma
Source: Ward (1994)

The definition of conflict in the family company according to Ward (1984) occurs because of the intensity of the imbalance between the love (family relationship) and work. Love and work are the main sources of the self-esteem and pleasure of an individual's life. If both are balanced, the individual can find satisfaction. Figure 1 illustrates conflicting goals in family firms: Family systems are more related to emotional needs while Business systems are more related to work performance demands. The relationship between love and work is connected one to another.



Figure 2. Differences from System Objectives in 3 Family Enterprise Models
Source: Tagiuri & J.A. Davis (1982)

According to Tagiuri and Davis (1982), there is a difference of system objectives of 3 (three) elements model of a family enterprise. The three Family Business Elements are:

1. Family: success in the family is measured in terms of harmony, unity, and the development of a happy individual with a solid and positive self-esteem.
2. Business: Business is an economic entity in which success is measured not on the individual's self-esteem and pleasure, but in productivity and professionalism. So the main measure of a person lies in contributing to the implementation of strategy, target achievement, and profitability of the firm.
3. Ownership. Ownership is based on a person's role in investing in the company, the role of minimizing risk, representing the company in contact with outsiders.

Family businesses are more complex than non-family businesses due to family, business and ownership factors. The imbalance of these factors can lead to conflict. The family business challenge is at the crossroads of three systems: system values can lead to conflict. The goal is to

create healthy systems and boundaries of healthy individuals, without inter-system barriers. This goal can be achieved by clarifying roles, responsibilities, and expectations and for creating rules of engagement between each system.

This business system should take the opposite approach if they want to survive in continuing their business. Companies need to focus on the external environment and find ways to exploit change. This strategy is a key factor in the success of family business. This becomes a great power as well as a potential weakness for family business. Family businesses that place more emphasis on business systems while reducing attention to the family system, often end up with family relationships and creating business competition.

Source of Conflict or Cause of Conflict

Conflict occurs because one party has high aspirations. High aspirations are an integrative alternative that is generally difficult to achieve. Such conflicts occur because one maintains a rigid aspiration. This aspiration can lead to conflict for two reasons: each side has reason to believe that they are capable of obtaining a valuable object for themselves and secondly they believe that it is entitled to own the object.

According to Levinson (1971), this conflict has a negative impact. However, Tjosvold (1991) argues that there is a positive impact of such conflicts because conflicts can improve performance. Some researchers (Amason and Schweiger, 1994; Jehn, 1995, 1997; Jehn and Mannix, 2001; Kellermanns and Eddleston, 2007) say that task conflicts and process conflicts can improve performance; whereas, relation conflicts lead to discontent and frustration (Jehn, 1997; Jehn and Mannix, 2001)

Conflict Management and Settlement

In the conflict management process, there is the so called term “managing conflict”. Stevenin (2000, pp.134-135) says that conflict management aims to deal with conflict. The steps of conflict management are as follows: reducing conflict, and resolving conflicts. One way of reducing the conflict method is to cool down the matter first (cooling thing down).

Resolving conflict in an integrative way is to encourage conflicting parties to solve common problems through problem solving techniques. The parties try to solve the problem together. This strategy is not simply by pressing or compromising with conflict. Even if this is the best thing for the organization; in reality, it is difficult to do satisfactorily. This is because the conflicting parties have no will and honesty to solve the problems.

The conflict approach begins with self-assessment: analyzing conflict-related issues, reviewing or adjusting the results of self-exploration, organizing and planning meetings with conflict-affected individuals, monitoring the point of view of all individuals, developing and outlining solutions, selecting solution and action, and plan for implementation. Other things to consider in resolving conflicts are creating effective systems and communication practices, preventing destructive conflict before it occurs, establishing standard rules and procedures especially with respect to employee rights, ensuring that superiors play an important role in resolving conflicts, creating a climate and a harmonious working atmosphere, form a team work and good cooperation between groups/work units, realize that all units/echelons are the links of mutually supportive organizations, do not feel the greatest, and build and develop a sense of solidarity, tolerance and mutual understanding between units/departments/echelons.

RESEARCH METHODS

This research uses research type with qualitative approach. Sugiyono (2012: 63) states that in general there are 4 kinds of data collection techniques: observation, interview, documentation, and triangulation. Technique of collecting data of this research is by doing observation and interview with resource person company PT X and exploiting sources of written documentation.

In this study, the interview was conducted with reference to the interview guide. During the interview process, data collection was intensified according to the research needs. Researchers used recording tool to facilitate the process of data processing. TLS and HP's sources were the first generation of family company in PT X. TLS's 56 year-old informant and HP Resource Person was 64 years old. They lived in Surabaya. They founded this family company together since 1991. The PCT source was 35 years old and he was the second child of TLS and HP. He was the second generation of PT X family company. He has been in the company since 2006. PSL was 32 years old and he was the third of PT X's Company. He has been in this family business since he was 19 years old. At this time PSL Resources have handled all aspects of the family company to the branch in Jakarta. The PCT resource person handled field operations and had its headquarters in Surabaya. FEL informant was 45 years old and he has been working in PT X Company since 1999. He was a professional who worked inside this family company and knew about all issues of this family company.

According Sugiyono (2011: 330), the technique of source triangulation is a data collection technique that is done by combining various techniques of data collection and data sources.

Stages of data collection were conducted as follows: (1) Conducting interviews with the leadership of PT X family companies to collect information on the stages of planned conflict management (when planning); (2) Conducting interviews to two corporate successors on internal conflict management, (3) Selecting and selecting data to support the needs of this research data. (4) Processing data to make it a reference in determining good decision making regarding the purchase of land for PT X. (5) Adjusting the Conflict Management Model well with reference from the family system, management system, ownership system and personality system. (6) Formulating the best conflict management and decision-making points for PT X company, (7) Generating the most effective conflict management that can be applied in family company PT X

DISCUSSION

Family business (Kidwell, Kellermanns, & Eddleston, 2012) is an enterprise where family members often act and act as caretakers. They help family businesses to achieve success by providing specific resources. Sindhuja (2009) argues that a business is said to be a family business when it meets one of the following three criteria: 50% or more of the company's holdings are held by one family, the family group effectively controls the business, or the family role is very significant in occupying management positions senior. Family business is a system of complex business arrangements. Therefore, there needs to be a balance between business and work affairs with business or family interests. This business system is dynamic and constantly undergoes changes and developments according to the circumstances and conditions. They also have their own uniqueness that is composed of elements of history, strengths, shortcomings, opportunities and threats.

Conflict and Its Causes

Conflict can be understood as a contradiction between what happens to what a person expects about himself, others, the organization.

This study found that conflict occurred in PT X. Most conflicts occur in the office. At first the conflict was a corporate operational conflict. Furthermore, the conflict is exacerbated by the issue of land purchase. This conflict involves all family members who work in PT X. But the conflict does not involve professionals working in the company (in this case for the purchase of problematic land)

The internal family conflict within the family company arises unrelated to how big the company is, how long it lasts, and the generation that the company is running. While conflicts occur in

PT X companies, ways to manage conflict need to be done so as not to aggravate conflict conditions.

Most conflicts are in the office, work problems and because of this family business, many also created the initial conflict from the internal family, and spread to other affairs. What everyone is involved with. "(HP)

Discussion of research is more directed to material capital in the form of place or land that will be developed in the business strategy of this family company. However, purchased land sparks disputes, and creates conflict in this company.

Conflict is not only related to the work affairs, but also related to the internal affairs of the family or personal problems in the second generation. This conflict should not need to be mixed up with work issues or with personal issues. The growing conflicts within the company stem from the issue of land purchase that was originally intended to develop the business of PT X. The situation is exacerbated by their lack of good communication, clear rules. In fact they often decide the matter by way of a veto between the leaders. This information comes from one of the second generation.

Type or Level of Conflict

Conflict in the organization generally consists of 6 types or levels of conflict (Wahyudi, 2015), namely: Intrapersonal, Interpersonal, Intragroup, Intergroup, Intraorganisasi and Interorganisasi conflict. The following is an interviewee's statement on the type and extent of the conflict within the PT X family company

Factors Affecting the Causes of Interpersonal Conflict in PT X

There are several factors that influence the causes of Interpersonal conflict: human factors as well as organizational factors. Here are some statements from the interviewee when answering what factors affect the causes of conflict in the company

"Yes I think yes different interests and backgrounds yes. Differences between private interests with the interests of the company. Although in the end also remain mutually supportive. The background of interest is also different. "(TLS)

Based on the results of further interviews from the founder, second generation and corporate professionals, backgrounds, perspectives and mindset, different opinions for the short and long term for the company, different interests of each personal cause of conflict in PT X. This conflict is based on differences in the way of thinking, views, and corporate goals between the first generation and the second generation.

The first generation felt fatigue and boredom in taking care of the company's operations. According to them, the company can no longer raise the performance and finally decided to buy land. Conflicts in PTX companies include the type of Interpersonal Conflict or Intraindividual Conflict. According to Wijono (1993, pp 7-15), there are several sources of causes of conflict in PT X: goal-related conflicts and role-related and ambiguous conflicts.

Male and female gender factors are the factors that cause different ways of thinking about conflict. At a glance, PT X Company runs gender equality. This is because the founders allow their wives and daughters to work in the company. However, according to interviewee, the mindset of a woman tends to think long term and does not want to get involved with

complicated issues. They tend to wear feelings and the nature of sheltering or protecting the family. Men tend to think by using logic and practical. Different viewpoints create conflict.

The conflict in PT X came about due to the combination of two opposing systems: the corporate system and the family system. The first generation as a founder and parents have the love and hope to give their children their inheritance in the future. Their children are the second generation of PT X companies. However, the attitudes of the first generation may be the main cause of conflict according to Randel S. Carlock. The intensity of family and work relationships is created with conflicts of love and work. Love and work are the main sources of pride and pleasure in life. If both factors are balanced, we can achieve satisfaction.

Wahyudi (2008) says that an organization experiencing conflicts in its activities has the following characteristics: differences of opinion or conflict between individuals, disputes in achieving goals due to differences in perceptions of interpreting organizational programs, conflict of norms and values of individuals and groups, and mutual behavior, prevents others from winning for limited organizational resources, debates and disagreements as a result of new creativity, initiative or ideas in the pursuit of organizational goals

To prevent conflicts from becoming widespread or difficult to control, conflict management is required. Conflict occurs because of the difference of role and ambiguous in duty and responsibility to attitude, values and expectations that have been determined in an organization. The problem of the vagueness of each family member's role emerged. This condition gradually creates conflict among family members (internal family conflict), and affects not only the destruction of the family, but also the destruction of the company.

This supports the interviewee's statement that there is a difference in perspective, the idea of the founder in purchasing disputed land differs from the perspective of the second generation, the disagreement in achieving the objectives due to different interpretations of the long-term program of the founder by the second generation. The role and ambiguous differences in PT X also make the conflict more tapered, the power division and power of the first generation and the second generation are not clear causing conflict, this is supported by the statement of professional interviewee working in the company, that in this company has four leadership and make employees are also confused to follow which orders or decisions.

An approach is needed in the handling of conflicts by identifying the main causes of the conflict and finding the best solution for the common interests of the company, providing a barrier of what can be discussed and which need not be addressed in the workplace. Also need to run a certain approach to manage Interpersonal conflict. The method is the Approach-approach conflict method: people are encouraged to take a positive approach to two or more issues with separate goals. Approach-Avoidance Conflict is an approach in which people are encouraged to approach the issues with reference to one purpose and. At the same time, they are encouraged to overcome these problems and refer to their goals containing positive and negative values for the person

CONCLUSION

The most important thing in conflict management is the role of the founder as a determinant of conflict resolution and decision making. Founder plays an important role in managing both things well. They need not emphasize emotions. This helps to minimize interpersonal conflict in the company. Good communication is essential in resolving conflicts. The balance of interests between family, employment and ownership becomes one of the most important issues in good conflict management and decision making. Considering risk management, investment theory, applying good accountability, regularly and periodically, holding family meetings and communicating strategic planning and vision of the company's mission in the future will minimize conflict and risk. Financial difficulties and cash flow will also be avoided.

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