

How a Family Feud Created Adidas and Puma – Managing Conflict in Family Business



Adidas vs Puma

A family feud between Adi and Rudi Dassler (the first generation) ultimately started a fierce rivalry between the separate family business brands - Adidas and Puma, which were created by the two brothers in the next generation.

The official family split occurred in the late 1940's and the rivalry between the two first generation brothers escalated. The dispute subsequently heralded decades of fierce competition between the two brands, in a fast-growing sportswear market.

Sadly, the family feud did not die with the brothers from the first generation - Adi and Rudi. It continued with the same intensity in the next generation - by their sons Horst and Armin; it split the community into warring factions for more than 60 years. Townsfolk frequented different bars, barber shops, and bakeries, depending on which firm they worked for.

At the heart of each company's strategy was the desire to outdo its rival.

Emotions, not rationality were the main driver of the conflict.

This does not sit well with most strategists. A strategist is supposed to take a hard look at the facts and after carefully weighing the options, sets up a plan. In reality, emotions have a profound impact on strategy. It shapes our cognition and subsequently our actions.

The best strategists not only know this but integrate emotions into their repertoire. **In the world of business, hope and fear are particularly powerful levers to pull.**

Lessons for Family Business

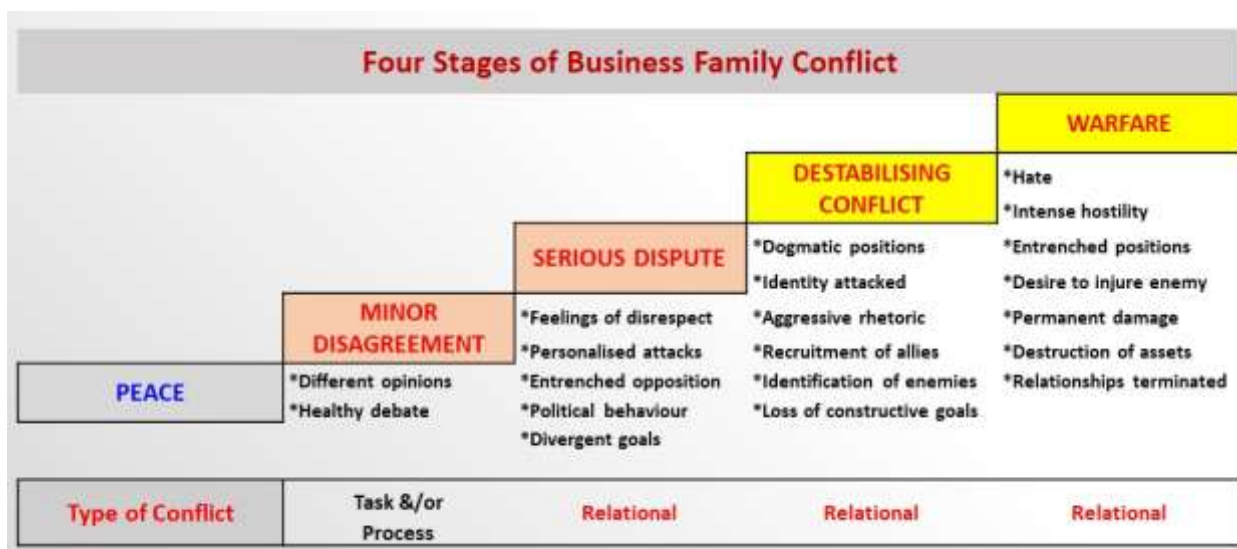
- Perhaps one of the saddest features of any family conflict (and this is usually present in many family business disputes) is that bad blood breeds bad blood.
It can be a common frustration in family businesses. Too often, **few people make little effort to overturn the family differences that arose in the past and are prepared to start afresh;**

- Being an adaptive family does not mean you have to sway with every breeze. On the basis of a foundation of strong family and business values, you can be flexible.
Open and regular communication and applying a problem-solving approach to difficulties as they arise, without expecting too much of yourself and others is a good starting point;
- Treat the past as a place where you had your origins but from where you have now advanced to a new current reality. Find ways of wiping the slate clean – forgiving if not forgetting.
Have effective reconciliation processes in place to be able to move forward and not remain prisoners of the past events, that only fester over time;
- Expect the future to be different from the past or even the present.
Be prepared to be aware and mindful of the need to change your style and attitudes to changing realities so you can move on;
- All powerfully held perspectives need some countervailing forces, so individuals can be made more self-aware and adaptive. **Leaders in family business need people around them who will not only support and forgive them, but restrain, challenge and advise them where appropriate.**
- **The bottom line is there is no substitute for a strong, cohesive, self-aware family culture.** One of the most important tasks of leadership is culture building. A successful and sustainable family business needs strongly embraced and aligned values for both the business and the family to build a strong culture. Family members need to participate in the maintenance of the culture. Successful business families involve the family in agreeing on the values, ensuring goals (business & family) are aligned and play active roles in supporting and improving the culture over time and generations.

Conflict Levels Can Vary

In a study of group’s interaction, **it was recognised there are three kinds of conflict: Task, process and relationship.** Task conflict – disagreement about the task – is usually productive when it is not influenced by ego and emotion. Process conflict – disagreement about the rules, norms and procedures the group uses to conduct its tasks – is risky. Sometimes it is productive and at other times destructive; it all depends upon the spirit with which it is engaged. Relationship conflicts – disagreements about the value of people and their contributions, is almost always destructive. Research has also shown that it is very hard to disentangle these three types of conflict.

The objective with any type of conflict is to confront it as early as possible. **Seek to reframe conflict as something that if addressed, can result in a beautiful outcome – much like a pearl shell does when dealing with the grain of sand irritant, which over time can result in a wonderful pearl being produced.**



Source: McKee, Madden, Kellermanns and Eddleston 2014 – “Conflicts in family firms: The good and the bad.”
SAGE Handbook of Family Business - London, U.K.: Sage Publications

Change, Success & Conflict

Governance can be seen as mechanisms for problem-solving, but the problems families face and need to solve evolve over time.

Generational transitions often heighten the contrasting but fully natural differences between generations. Daphne McGuffin describes the relationship between durability (as one of the success criteria of entrepreneurial families) and change, with the inclusion of the conflict that always accompanies change, using *"The Change Equation"* shown below.



The Change Equation - **Source:** Daphne McGuffin in *"The Governance Marathon: Dynamic Durability in Entrepreneurial Families amid Disruptions"* Cheng, C.Y.J., Au, K., Widz, M., & Jen, M. (2021)

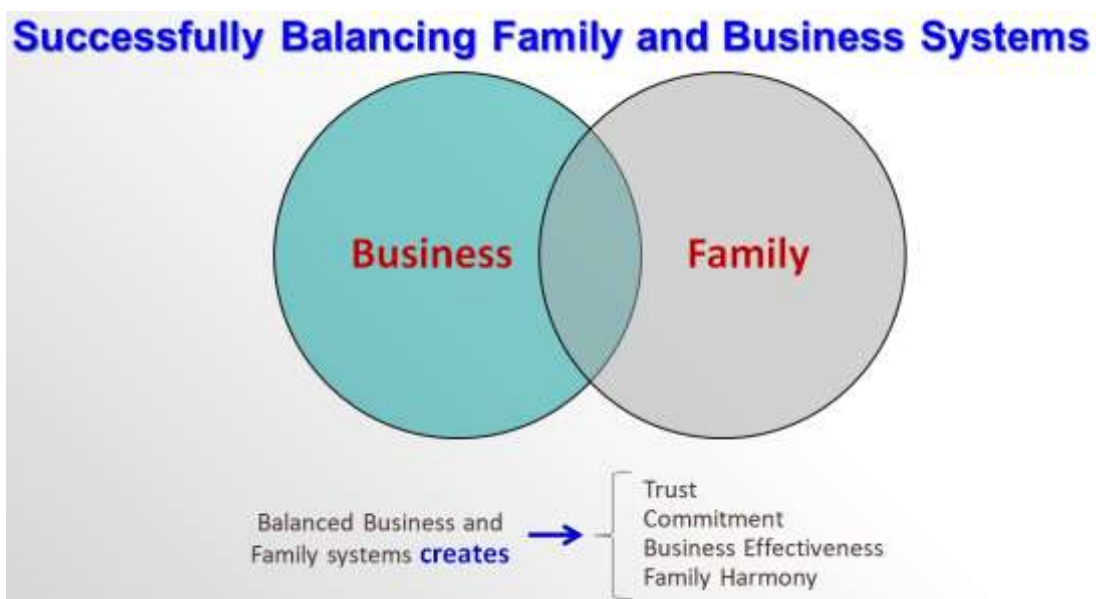
Daphne McGuffin further explains *The Change Equation* as follows:

"Success equals change. Change equals conflict. If you want success, you must embrace change, and you cannot embrace change without some measure of conflict – [When interpreting the equation from left to right]."

Alternatively, [interpreting the equation from right to left] - If you can embrace positive conflict, you can better navigate that change, which will lead to greater success. I am thinking if you take that word 'success' and put in 'durability', durability [think greater resilience] means you are going to have to change and that is going to come with some conflict. But if you can manage that conflict, you will create the right change, and you will get your durability."

A Balanced Family Business

By putting in the hard work most family businesses can get to a point where they can achieve balance in both the business and family expectations and objectives, as illustrated in the diagram below.



Source: T Hubler & G Ayres University of St Thomas 1996 – Family Business Management course

Families who equalise family and business systems create a positive environment where the family thrives and the business performs. This type of thinking is very important as family businesses grow. The balanced approach to addressing the two sub-systems becomes the foundation for healthy family business relationships and for the creation of a family business legacy.

Conclusion

A good plan for conflict resolution includes anticipation of sensitive issues, agreed upon conflict resolution processes and an appreciation of the importance of addressing conflict to building trusting relationships.

It is important to remember that in any conflict all parties are trying to take care of the concerns that matter deeply to them. These concerns are often not readily apparent and, may even be outside of the consciousness of the individual, yet powerfully driving them. Your effort to unearth and discover these concerns and drivers may be just what is needed to break the negative cycle of conflict.

In a practical sense, this might mean asking some questions which, in those moments, we have never asked before. Questions like...

- *What is missing for you in this issue?*
- *What is at stake for you here?*
- *What is important for you that is not being taken care of?*
- *What key concerns are not being addressed?*

If we can manage our own emotional reactions AND be curious about what matters deeply to the other person, we may well find ourselves on the path to bringing understanding, healing and reconciliation.

There is a common myth about family communication – that if something is not talked about, the family relationship will become stronger because there are no fights. However, in reality, when families have the ability to constructively disagree about important issues and have effective forums/processes for resolving their conflicts, they develop more trusting relationships.

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