Using the Ladder of Inference in Managing Conflicts

By: Kent B. Rhodes, Ed.D.
The Family Business Consulting Group

Managing conflict is a challenge in any business setting and yet, when managed correctly, some conflicts might even be beneficial; for example, if it spurs new thinking that result in better processes and communication. But knowing how to leverage conflict into an advantage is not always immediately clear and this is particularly true within family businesses. That's because the dynamics that can produce conflict within a family simultaneously intersect with the challenges of owning and operating a business, potentially complicating both.

The fact that many conflicts in family businesses are predictable-but not inevitable-can help families recognize those more-common conflicts, the processes that typically lead up to them, when they are likely to show up, and how they might impact the family and the business. This kind of information can then help families and businesses better leverage those conflicts more to their benefit than to their determent.

According to experts in the field of conflict management, conflict is "a process that begins when an individual or group perceives differences and opposition between itself and another individual or group about interests and resources, beliefs, values or practices that matter to them"[1]. The bottom line is that true conflicts in family businesses tend to be processes rather than one-time events. Typically, owners and managers tackle smaller challenges and manage them effectively in real time. But when one-time events are not managed or are

ignored, they can become chronic, fester over time and become a crises point for the family, the business or both, especially when those events are rooted in common, long-playing family dynamics-sometimes across generations.

One tool that is useful in leveraging and managing conflict within a family business is what M.I.T. professor Peter Senge refers to as "The Ladder of Inference," which provides a framework describing how an individual or group forms opinions or inferences from which important decisions are made.

In a nutshell, Professor Senge's Ladder describes how our individual assumptions about people and organizations become beliefs, decisions and actions. The challenge is that without testing those assumptions or critically looking at how they line up with available factual data or information, beliefs and actions can limit opportunities for growth because they are based more on uninformed emotion or perception rather than logic and fact[2].

This dynamic is important in family business because family relationships can be complex, particularly when largely lived in the context of a family business. For most families, it is easy to hold assumptions and draw conclusions about family members' motives or real beliefs, especially when there are unspoken rules about what topics can and cannot be discussed, whether about the family, the business or the interaction of the

two. In addition, there is an "intimacy paradox" that my colleague David Lansky spoke of on a recent webinar, suggesting that we tend to be "vulnerable to unjustified assumptions about the motives of people to whom we are the closest."

This often results in some of the more "predictable, but not inevitable conflicts" that a family will face. These conflicts have the potential to be detrimental to the organization and, if left unaddressed, could eventually limit family members' effectiveness and success in the business. Skilled family business leaders and their advisors know the importance of checking assumptions around beliefs, decisions and actions-yet setting an environment where questioning those assumptions on a daily basis becomes an acceptable norm is a challenge because of the pace involved in operating a successful, growing business.

According to Diana Mutz, professor of political science and communication at The University of Pennsylvania and author of "Hearing the Other Side," a study she conducted found Americans to be least likely to talk about politics with those who disagreed with them. This suggests we prefer to stick to our assumptions about what others believe, rather than engaging in an effort to more deeply understand a different point of view.

The fact that real differences are not adequately talked about is often magnified within families associated with businesses and opens the door to misunderstanding of individual differences and escalating conflict. It also leaves individual assumptions about those differences unchallenged and left to become "well-known-facts," as opposed to deeply held opinions, leading to qualitative differences in decisions that are made based on those notions.

Experts using the Ladder of Inference refer to "travel" on the ladder as an important way to obtain valuable insight into how a belief or action may have developed. The practice of traveling on the ladder also provides a rich opportunity to articulate the core of those inferences with other individuals and groups, particularly ones that lend themselves to vastly different conclusions and the escalation of conflict. Learning to travel back down the ladder to revisit, articulate and communicate the original data each group holds in a certain light is key to increasing meaningful communication between members of a group or team while simultaneously managing conflicts more effectively.

What follows is an example:

'David' is the third generation of 'Laughertys' to run his family's auto part manufacturing company. Even in the down economy, sales have been healthy. A year ago, David proudly recruited all three of his adult children to come work in the business. His plan had been for them to work as a leadership team and it seemed to him to have taken hold beautifully; each of them have settled into key roles managing the family business and the business had continued to thrive under this new leadership configuration.

David's plan was lovingly devised, based on the fact that his children had almost always gotten along well and had all successfully completed business degrees from prestigious universities. As importantly, each had spent at least one year working successfully in businesses in other cities outside of the family firm and yet none of the three seemed to have been completely satisfied in those jobs. David thought that coming back to work in the family company was the obvious and perfect plan for all three kids and would simultaneously allow him the time and energy to start winding down into semi-retirement.

In fact, all three of the Laugherty children-two sons and a daughter-had not been clear about what they really wanted to do with their careers and had actually begun the process of exploring other career paths when their father called them individually and invited them "home" to work in the family business.

Ten months into this arrangement, David's wife, 'Sally', began to notice that their children and their young families weren't spending much time together outside of work. When she pressed each of them about what she was observing, they all assured her everyone was just too busy and that they saw plenty of each other at work. Four months after that, David himself began to notice less interaction at work beyond routine management meetings.

While none of the children were willing to admit it, their relationships with each other had deteriorated

as stark differences emerged around their individual management skill levels and styles, and this began to increasingly impact the quality of their interactions. This in turn led to an undercurrent of conflict and avoidance that was beginning to become obvious even to employees. Each of them was secretly considering exercising buy/sell agreements and leaving the family business.

In this scenario, David and each of the children failed to travel effectively on the Ladder of Inference, making key decisions based on their assumptions and beliefs about each other, the business and the future. Among the assumptions David had used to devise and carry out his "succession" plan was that each of his kids would be happiest working in the family business. After all, it had been a dream come true for him when he stepped in to work alongside his father and grandfather, plus the business had provided such great opportunities for his family and the community both economically and socially. On top of it all, clearly none of the kids liked what they had been doing and, besides, they'd always loved working together on projects as kids.

Similarly, each of the children had their own assumptions, starting with the belief that they each needed to physically work in the business in order to be successful owners of the firm. They also tacitly colluded with one another to not disappoint Dad by saying "no" to him, especially when he had made them such a generous offer, believing that to do so would be too disappointing to their dad and disrespectful of the long, hard work their grandfather and great-grandfather had poured into building such a successful business.

While it may seem clear in this scenario that double-checking the data or facts that may have supported

or debunked these notions would have been a logical step, it isn't always an easy conversation to have or to even think of needing to have. Had David taken the time to genuinely inquire into each of his children's level of desire to come work in the firm, he may have learned that bringing the three of them as a team wasn't the best approach. Had the children each checked their belief that not communicating clearly with Dad would somehow spare his feelings, they could also have produced a different outcome and may have even been surprised how about his high level of support in helping them find what they really wanted to be doing.

As this example illustrates so clearly, individuals and groups must take the time to seek to understand their own unique interpretation of original data with specific emphasis on how assumptions may have informed their beliefs on the way "up the ladder" to taking action on those beliefs. They then must seek to understand the similar processes other individuals or groups have engaged to reach their conclusions.

While this process cannot guarantee better relationships or decreased conflict, it can provide deeper understanding of each person's true needs and concerns, and through gaining insight on each person's hopes and fears, the system will have better data for effective management of conflicts and most likely better decisions for all.

[1] De Dreu, Harinck & Van Vianen, (1999). "Conflict and performance in groups and organizations." In Cooper & Robertson (Eds.), "International Review of Industrial and Organizational Psychology" (Vol 14, pp. 369-414). Chichester, UK: Wiley.

[2] Senge, Peter (1994). "The Fifth Discipline." Doubleday Publishing. New York, NY.

Kent B. Rhodes, Ed.D. is a consultant with The Family Business Consulting Group, Inc., and can be reached at rhodes@thefbcg.com or 949.422.3762.

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