

RESEARCH PAPER

Theory of the third: A cybernetic approach to escalative conflict dynamics in business families

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Abstract

This conceptual paper explores the surprising impact exerted by third elements on the escalation and de-escalation of conflicts in business families. To this end, we draw on core concepts of Batesonian cybernetic theory to perform a reconceptualisation of pertinent literature on changing conflict dynamics gathered in family business research and consultancy. Based on this reconceptualisation, we identify explanations and key mechanisms for the impact of third elements on conflict dynamics. Our study thus contributes to research at the interface of family business research, conflict research and cybernetic theory development.

KEYWORDS

business family, conflict, cybernetics, schismogenesis, systems theory

The lion will lie down with the lamb if only
it rain hard enough.

(Gregory Bateson)

1 | INTRODUCTION

Gregory Bateson's subtle reflection on lambs and lions (1972, p. 81) exemplifies the capacity of third elements to change the dynamic between two conflicting parties. In this case, an external threat or at least nuisance such as heavy rain may have de-escalating effects, at least temporarily. Conversely, the disappearance of a third element may well trigger resumed or unprecedented escalation.

Had Bateson been a family business researcher, he must have found a wealth of examples of how third

elements affect conflict dynamics. 'Conflict seems to be a prominent characteristic of family business' (Sorenson, 1999), and consultants are an equally prominent 'third party' (Bertschi-Michel et al., 2020; de Groote & Bertschi-Michel, 2021; Kellermanns & Eddleston, 2006) solicited by *family businesses* (FB) in a bid to overcome it. Next to professional conflict mediators, it is not uncommon that dispute between business family members is channelled via non-family staff members, who are 'triangled into' (Grote, 2003, p. 116) the conflict and thus serve as buffers to prevent a fuller-scale escalation (Rhodes & Lansky, 2013). Two managing family members may also refer to a non-managing member of the *business family* (BF) for a similar purpose (Qiu & Freel, 2020), and emotionally charged physical items may serve a very similar purpose (Dacin & Dacin, 2008; Fiese et al., 2002), for example, when a system of shared

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rotating possession of a symbolic item representing the decision-making power formerly exercised by *one* managing BF member helps to prevent conflict between *two* heirs to this power (Lansberg, 1999, p. 135f).

The effect may also be observed the other way round when sudden eruptions of conflict break in on the FB after the death of a family member (Großmann, 2014, p. 126) that might not even have played an active role in the FB (von Schlippe, 2014, p. 74).

In each of these cases, conflict dynamics are influenced by a third element, be it a family member, a professional mediator, a symbolic item, or a procedure. Yet it remains unclear how and why the third element at stake do have this effect.

In this conceptual paper, we seek to understand the surprising impact third elements may have on the escalation and de-escalation of conflicts in BF. To this end, we draw on cybernetic theory in the tradition of Gregory Bateson in general and his concept of an ‘outside element’ (1972, p. 81) in combination with one of his key constructs, schismogenesis (ibid., p. 99–113), in particular. We then perform a reconceptualisation of pertinent literature on changing conflict dynamics gathered in family business research and FB consultancy contexts (Großmann, 2014; Lansberg, 1999; von Schlippe, 2014) to develop explanations and identify key mechanisms behind the surprising impact third elements on conflict regulation or escalation. Our study thus contributes to research at the interface of family business research, conflict research and cybernetic theory development.

2 | CYBERNETICS AND CONFLICT

Our work is based on an understanding of conflict that goes hand in hand with the principles of cybernetics. In their work on ‘Communication: The Social Matrix of Psychiatry’, Bateson and Ruesch (1951) established the distinction between the content- and the relationship-level of communication. This concept was later picked up, extended and popularised by Watzlawick et al. (1967). Thus, in this article, we may follow Nagel (2021, p. 63ff) and distinguish between the relationship- and content-dimension of conflicts. On the content level, there must be a negation of a negation as stated by Luhmann (1995), that is, an ongoing process of mutual and inter-related negations (Simon, 2012, p. 11). On the relationship level, there must be a disturbance, which means that the conflicting parties must feel disturbed by one another due to a violation of a border or ‘expressive order’ (Goffman, 1967, p. 20). This disturbance must also be the associated behaviour to be in need of change (Nagel, 2021, p. 65). In conflict literature, it is common to

differentiate between different types of conflicts each pertaining to different concepts or dimensions such as relationship, cognition or processes (McKee et al., 2014). In the context of our work, we shall focus on conflicts with escalative potential, whereby we imply that such conflicts are always relationship conflicts and, as such, fundamentally different from discussions, debates or negotiations.

The potential of escalation (schismogenesis) is further crucial as it implies a development towards friction and separation, composed of schism (division and split) and genesis (development and origin). Whereas conflicts may be a driving force for change, new ideas and solutions, or growth at the personal, organizational and societal level, in the case of schismogenesis conflicts become destructive and get harder and harder to resolve or heal. Thus, we must draw a distinction between constructive and destructive dynamics. In the following, we shall focus on the latter dynamics.

In family business research, it is common to focus on business families and family businesses as two separate systems or the influence of one system on one another rather than on their embeddedness in a larger social context of relationships and often competing expectations. True to Zellweger (2014, p. 648), this narrow focus is the reason for a reductionist ‘shift towards empiricist research methodologies that are best suited to uncover linear relationships’ (2014, p. 648).

Cybernetic theory, by contrast, suggests a broader and circular approach to relationships and dynamics, thus providing concepts and tools for the analysis and management of complex situations of multiple embeddedness and the resulting tensions.

3 | CORE CONCEPTS OF BATESONIAN CYBERNETICS: SCHISMOGENESIS AND THE OUTSIDE ELEMENT

Combined with one of his cybernetic key constructs, schismogenesis, Bateson’s (1972, p. 81) concepts of an ‘outside element’ provides a conceptual framework for patterns and de-/escalative dynamics of conflict between social groups (ibid., pp. 71–82 & pp. 116–136) as well as between individuals (Nagel, 2021). In this context, three further concepts gain importance as they describe the basic modes by which two groups or persons can relate to one another: symmetry, complementary or reciprocity (Bateson, 1972, p. 99–113).

Symmetrical behaviour refers to similar behavioural patterns featured typically by two competitors for one and the same position or good. Imagine, for example, a couple where both partners strive at being the active,

deciding part of the relationship and therefore constantly clash with one another. Symmetrical conflict behaviour may be described as 'a process which if not restrained can only lead to more and more extreme rivalry and ultimately to hostility and the breakdown of the whole system' (ibid., p. 78). Consequently, symmetrical schismogenesis is the standard case of escalating conflict dynamics.

Complementary behaviour is fundamentally different from symmetrical one as the two parties' behavioural patterns do not mirror, but rather complement and thus mutually reinforce each other. This is the case of, for example, a couple where the more active A is, the more passive B becomes, and the more passive B becomes, the more active A will be. 'This schismogenesis, unless it is re-restrained, leads to a progressive unilateral distortion of the personalities of the members of both groups' or persons 'which results in mutual hostility between them and must [as well, the authors] end in the break-down of the system'. (ibid., p. 78).

Bateson notes that '[b]oth these types of differentiation contain dynamic elements, such that when certain restraining factors are removed the differentiation or split between the groups increases progressively toward either breakdown or a new equilibrium'. (ibid., p. 77). The conflict of the complementary type of schismogenesis is thus less obvious until the escalation takes the behavioural patterns to such extremes that they cannot be maintained by at least one of the groups or persons, a situation which, in the latter case, might manifest itself in terms of burnout or at suicide.

The third type, *reciprocity*, describes a variant of both complementarity and symmetry where the polarity of complementary behavioural patterns is regularly switching, and thus, 'symmetry is regained over a large number of instances' (ibid., p. 78). In the case of the above couple this would mean that on some occasions, A is active while B is passive, whereas on other

occasions, A is passive and B active. Thus, this third type of relational pattern prevents schismogenetic drifts and sustains relationships.

The above three relational modes and their drift towards escalation (in the case of symmetrical and complementary patterns) or towards stable dynamism (in the case of reciprocal patterns) are illustrated in Figure 1.

In elaborating on the schismogenetic potential of the above relational modes, Bateson (1972, p. 81) concludes that:

It is certain that either type of schismogenesis between two groups can be checked by factors which unite the two groups either in loyalty or opposition to some outside element. Such an outside element may be either a symbolic individual, an enemy people or some quite impersonal circumstance—the lion will lie down with the lamb if only it rain hard enough. But it must be noted that where the outside element is a person or group of persons, the relationship of the combined groups A and B to the outside group will always be itself a potentially schismogenic relationship of one or the other type. Examination of multiple systems of this kind is badly needed [...].

In 'The Cybernetics of 'Self': A Theory of Alcoholism', Bateson furthermore describes how a symmetric escalative relationship between two parties may be broken up in favour of a permanent, asymmetrically complementary relationship towards an 'outside element' (1972, pp. 314–344) (as illustrated in Figure 4 in this elaboration).

In the subsequent section of this article, we extend the Batesonian (1972, p. 81) concept of an outside element such as 'a symbolic individual, an enemy people or

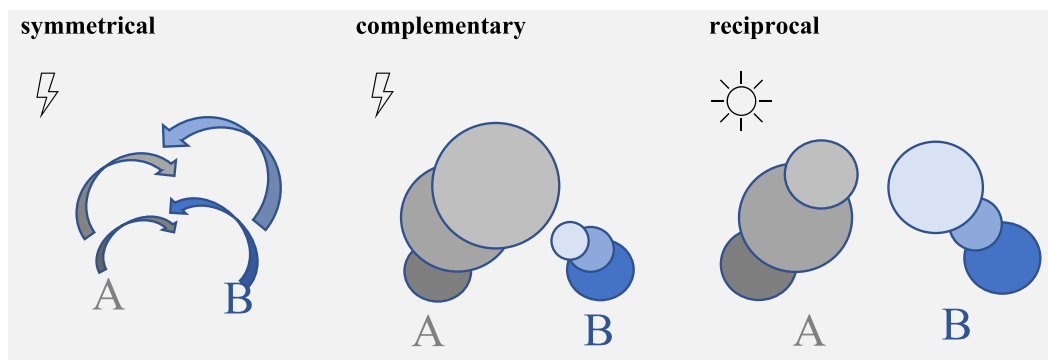


FIGURE 1 Relational modes and de-/escalative dynamics as described by Bateson (1972, p. 99–113). [Colour figure can be viewed at wileyonlinelibrary.com]

some quite impersonal circumstance' as we demonstrate the impact objects, processes, or may have on the emergence and resolution of schismogenetic conflicts. In so extending the concept of outside element to a more comprehensive concept of 'the third' (Großmann, 2014; Lansberg, 1999; von Schlippe, 2014), we harness up-to-date cybernetic concepts for a new analytical approach to conflict in FB research in general and to the mechanisms behind the impact of third elements on the escalation or de-escalation of conflicts in BF in particular. For this purpose, we perform a reconceptualisation of pertinent family business research in a bid to develop a typology of cases of third element impact on conflict dynamics and its specific configurations. Additionally, Bateson's elaborations were used to gain knowledge about the change of behaviour types (symmetrical or complementary) through the impact of a third element. The proposal is presented in the following section.

4 | ESCALATIVE CONFLICTS IN FAMILY BUSINESS RESEARCH: A RECONCEPTUALISATION

In 'Succeeding Generations', Lansberg (1999) draws on a wealth of examples and experiences gained as a BF consultant. Concerning conflict management, he describes that co-leading BF members may

- a. Rely on a trusted third person (e.g., a business associate, a non-family manager, or a senior advisor) who serves as a mediator in cases of conflict (Lansberg, 1999, p. 134f),
- b. Use non-family subordinates as scapegoats who are challenged and attacked in lieu of the other BF member. Landsberg (ibid., p. 135) refers to this indirect mode of conflict management as 'management by triangulation',
- c. Treat symbolically charged physical items such as an amulet as third or outside elements. Lansberg (ibid.) reports on a case where a FB patriarch passes his decision-making powers on to his four sons together with one amulet and the instruction that, in case of disagreement, the current custodian of the amulet has the final say; and then the duty to pass the amulet onwards to the next brother. The result of this move has been only two transfers within over 35 years after their father's death and a sustainably successful billion-dollar company.

Further examples can be found about other family members which

- d. Witness the emergence of inexplicable and surprisingly intense conflict dynamics subsequent to the death of their rather discrete non-managing mother (von Schlippe, 2014, p. 74). This observation is supported by Großmann (2014, p. 124ff), whose research on FB conflict dynamics suggests that it does not make a difference whether the disruptive event is (d1) the death or retirement of a family member or (d2) a problematic economic situation, or (d3) whether the event was expected and prepared for or not.
- e. Refer to procedural outside elements such as (e1) multi-stage conflict management procedures (Rüsen et al., 2021, p. 99), (e2) family strategy processes (Rüsen et al., 2019) or (e3) conflict management approaches such as FB or BF mediation (Neuvians, 2011).

5 | THE ROLE OF THIRD ELEMENTS IN ESCALATIVE CONFLICTS

Occurrences of third elements causing or ending conflicts may adequately be expressed and addressed in cybernetic terms: Third elements can break up symmetrical escalative dynamics between two parties in favour of a new symmetrical or complementary dynamic between the parties and the third element. Cases of absence of conflict in business families might therefore be explained by the presence of tacit or consciously developed third elements. Thus, the identification or development of procedures, a common focus, shared values, family protocols, or family constitutions all can take on the function of a de-escalating and conflict-solving third element.

In referring to cases reported by Lansberg (1999), von Schlippe (2014) and Großmann (2014), we identified three distinct types of third element-influence on conflict dynamics. The presence of third elements may prevent, their disappearance may trigger, and their re-/appearance may resolve symmetrical conflict dynamics. Furthermore, the following subtypes may be identified, which we map onto the above cases (see alphanumerical coding):

1. Preventive types of third elements include
 - a. Trusted third persons who serves as a mediator (Lansberg, 1999, p. 135f),
 - b. Third persons or 'scapegoats' who take the place of the respective conflicting party (ibid., p. 135), or
 - c. Symbolically charged physical items (ibid., p. 135f).

2. Cases of disappearance of formerly stabilising third elements include
 - d1. The death or retirement of a family member (von Schlippe, 2014, p. 74; Großmann, 2014, p. 124),
 - d2. Disruptive economic situations (Großmann, 2014, p. 124),
 - d3. Situations, including the former, whether anticipated or not (ibid.).
3. External third elements that may resolve escalative dynamics include, inter alia,
 - e1. Multi-stage conflict management procedures (Rüsen et al., 2021, p. 99),
 - e2. Established strategic family management tools (Rüsen et al., 2019)
 - e3. Dedicated conflict resolution methods such as mediation (Haynes & Usdin, 1997).

Basically, third elements of the third type may also act as third elements of the first type *if* they are accepted as such by the conflicting BF members and thus can help to solve the conflict before an escalative dynamic takes off.

Table 1 provides an overview of the three forms of third elements and their impact on conflict dynamics in FB and BF.

6 | A CASE ILLUSTRATION: THE AMULET

To illustrate the three relationship patterns symmetry, complementarity and reciprocity (Figure 1) as well as their connection to escalative and stable relationship dynamics, we shall examine case (c) from Lansberg (1999, p. 135f). In this example, a FB patriarch, on his deathbed, passed an amulet onto his four sons and said:

I will assign this amulet to one of you at random. And in those instances when you cannot reach consensus, the one who has the amulet should be given the right to the last word. [...] There is a catch, however. Whenever the authority of the amulet is invoked to settle an issue, the one imposing his will on the others must forgo the amulet and wait a turn before he is eligible to have it again.

(Ibid.)

The result of the father's last will was that the amulet was transferred only twice within over 35 from his death; and a sustainably successful billion-dollar company. In cybernetic terms, this stable dynamic can be explained as follows: The amulet in conjunction with the instruction has a preventive function on possible conflict dynamics. It contributes to the fact that the four brothers do not try to outrival one another in case of a disagreement, which would lead to an escalative symmetrical relationship pattern. Instead, they subordinate their behaviour to the amulet, the instruction, and their father's wish for them not to have destructive disagreements. They are in a complementary relationship towards the rule, whereby the rule sets the standard, to which they submit to (Figure 2 on the left). This might not have worked as well if one brother had seized and kept the amulet (or had been nominated the sole leader of the company for reasons the others disagree with). In that case, the remaining brothers would have been in a constant complementary relationship dynamic towards *him*. This situation might have led to friction, for example, because of a perceived misrecognition or lack of equal rights, all of which would not be unusual for FB siblings. In such a case, it would not be uncommon for all brothers to display a symmetrical relationship pattern. For example, the four brothers might systematically boycott their brother's

TABLE 1 Third element impact on conflict dynamics in FB and BF.

| Forms of third element impact | Definition | Corresponding observations and elaborations in family business research |
|-------------------------------|--|--|
| Type I: Preventive form | The presence of an external element prevents an escalative dynamic. | <ul style="list-style-type: none"> • 'Management by Triangulation' (Lansberg, 1999, p. 135f) • Procedures for dealing with conflicts (e.g., Rüsen et al., 2021, p. 99) |
| Type II: Escalative form | The loss of a stabilizing element or entrance of a destabilizing element triggers escalative dynamics. | <ul style="list-style-type: none"> • 'Omission of the third party' (von Schlippe, 2014, p. 73), for example, death of a family member or other dramatic events such as an economic crisis cause a derailing (Großmann, 2014, p. 124ff). |
| Type III: Curative form | An external element resolves an escalative dynamic. | <ul style="list-style-type: none"> • Multi-stage procedure for dealing with conflicts (Rüsen et al., 2021, p. 99) • Mediation process (Haynes & Usdin, 1997) |

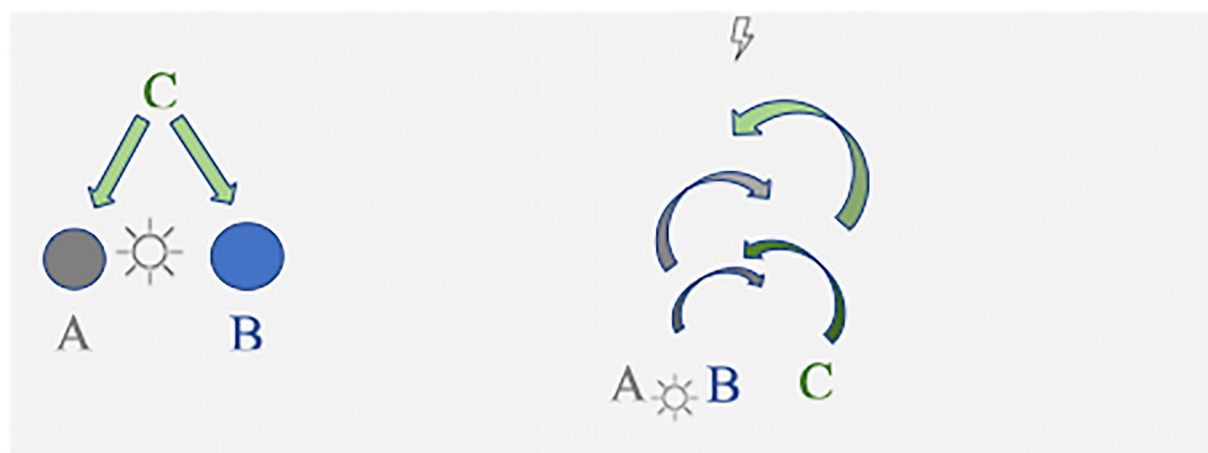


FIGURE 2 Complementary and symmetrical relationship of A and B towards C. [Colour figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/doi/10.1002/revs.2977)]

decisions to show him that he cannot decide everything on his own, while the latter might well try to prove that this is exactly what he can do. As a result, both parties would be likely to resort to increasingly extreme measures (see the right-hand side of Figure 2, where the leader-brother is depicted as C). This example illustrates that a third element must be respected by each party involved in order to perform its stabilizing function. Furthermore, due to the rule to pass on the amulet the polarity of the complementary behavioural patterns subject to—potential—change (in this case even change with a predictable direction: once brother A has had the final word, the privilege passes onto brother B and so on until it is brother A's turn again). This constitutes a stable reciprocal relationship dynamic.

7 | FORMS OF THIRD ELEMENT IMPACT

7.1 | Type I: Preventive forms of third elements in business families

Lansberg's concept of *Management by Triangulation* (1999, p. 135f) is one prominent example of how third elements may have a preventive effect on potential conflict dynamics between BF members, though it might well come at the expense of the job satisfaction and mental health of the FB members chosen to act as scapegoats or proxy adversaries. Its mechanism is traced back to family systems theory (Grothe-Hammer & la Cour, 2020; Kleve, Köllner, et al., 2020; Kleve, Roth, et al., 2020) which suggests that whenever tension arises between two parties and they each turn to a third one, the tensions shift to the two new dyads, thus reducing the tension within the original one (ibid., p. 348; Grote, 2003, p. 117). This is also the case for the phenomena of scapegoating

described by Grote and McGeeney as 'reverse triangle' (1997, p. 55). Grote (2003, p. 117) furthermore identifies 'external information that is generally perceived as a standard [...] and offers objectivity' as a type of third-party intervention. As Bateson (1972, p. 81) notes '[i]t is certain that either type of schismogenesis between two groups can be checked by factors which unite the two groups either in loyalty or opposition to some outside element'.

The left side of Figure 2 illustrates a complementary relationship involving a third element, C, which refers to a situation where the two parties refer to a third element whom they trust and whose loyalty is impartial. On the right side, Figure 2 shows a situation where the relationship between A and B is stabilised at the expense of symmetrical conflict with C, which is the case whenever a third element is turned into a scapegoat or proxy adversary.

7.2 | Type II: Escalative forms of third elements in business families

Cases where the disappearance of family members, including non-managing ones, triggers destructive conflict dynamics are perhaps the most intriguing and relevant research puzzles. As Großmann (2014, p. 126) points out, such changes in the family (business) system's architecture may have the highest-possible impact on the BF conflict dynamics and thus establish on one of the most common reasons for the decline of a FB. In cybernetic terms, this circumstance can be visualised as in Figure 3 and described as follows: The loss of a stabilizing element or the entrance of a destabilizing element may indeed trigger an escalative symmetrical dynamic that had been prevented while the third element was still present.

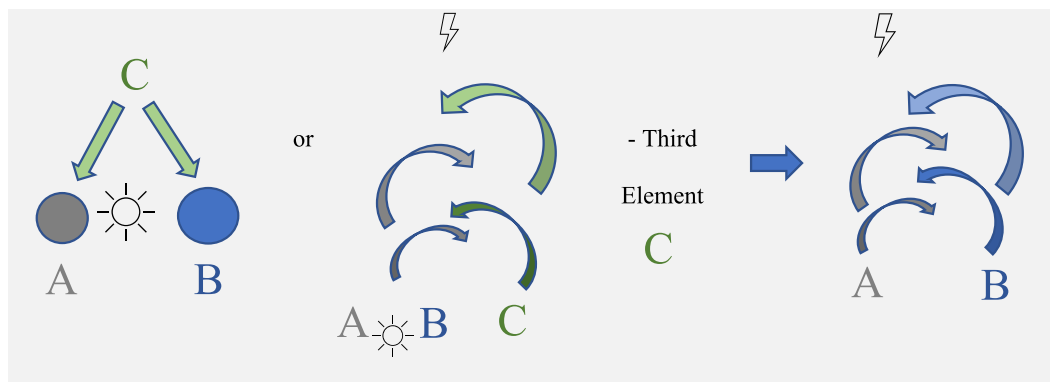


FIGURE 3 Conflict dynamics between A and B due to omission of C. [Colour figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/doi/10.1002/tes.2977)]

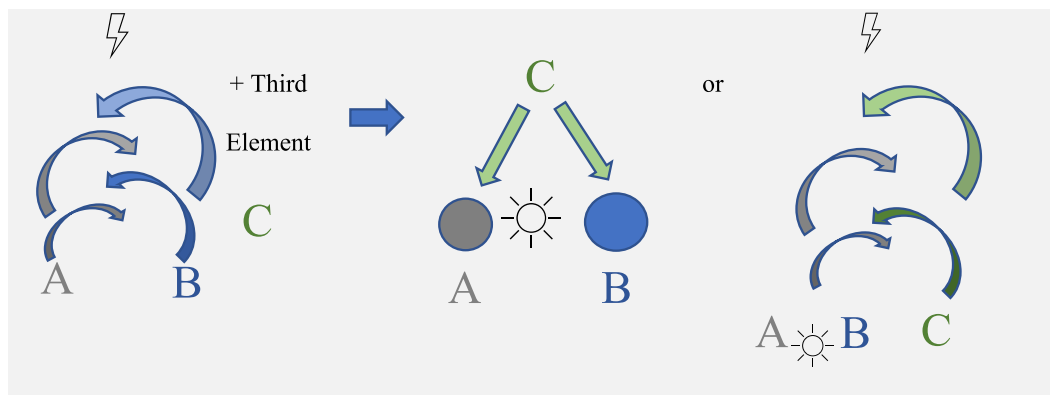


FIGURE 4 De-escalation between A and B due to the appearance of C. [Colour figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/doi/10.1002/tes.2977)]

7.3 | Type III: Curative forms of third elements in business families

In the case of curative forms of third elements, an external element resolves an escalative dynamic (Figure 4). In the words of William Ury (2000), an inventor of the Harvard Concept: 'It takes two to fight, but a third to stop'. Ury's bonmot is known to apply to mediation or similar conflict resolution methods as much as to multi-stage FB conflict management procedures. Yet, based on Bateson's concept of schismogenesis, it is now possible to show how an escalative symmetric conflict pattern may change due to either the establishment of a new complementary relationship between the two parties and the third element (e.g., as outcome of a mediation process) or a new symmetric or complementary relationship towards the third element (e.g., by a proxy enemy or scapegoat).

7.4 | Further forms of third element impact

In addition to the above three cases derived from the literature, there are three further possible correlations

between the existence, appearance, or disappearance of third elements and the escalation or de-escalation of a conflict dynamic. Though those additional forms have not been in the focus of our investigations, we shall briefly summarise them in Table 2, which gives an overview of the three further types. Because these forms do not have their origin in existing literature but have been deduced through a logical examination of potential scenarios involving the third element, Table 2 is organised around distinct cases of third element involvement. Unlike Table 1, which introduces forms along with their corresponding definitions and observations in family business research, the structure of Table 2 takes a different approach. It concentrates on outlining various cases of involvement and distinguishing between the escalation or prevention of conflict dynamics.

- Type IV: Conflict dynamic escalate although third elements are in place. This case implies that the identified third element has no impact on the conflict (anymore) or that an effective third element has remained unknown to the parties involved, including researchers or consultants.

TABLE 2 Further types of third element impact on conflict dynamics.

| Cases of third element involvement | Conflict dynamic escalates | Conflict dynamic is prevented or dissolved |
|------------------------------------|---|--|
| Third element exists | Type IV: Third element has no (more) impact on the conflict dynamic | Type I: Preventive form |
| Third element is added | Type V: Third element triggers a conflict dynamic | Type III: Curative form |
| Third element disappears | Type II: Escalative form | Type VI: Disappearance of a third element which triggered conflict dynamic |

- Type V: The conflict dynamic escalates upon the appearance of a third element. This is another relevant case that might be investigated in future research. One such example would be the birth of a child, which automatically affects the established relationship patterns of the parents. A similar case in BF would be the onboarding of new family/business member through wedding or accession. However, in this case, the question arises whether we are confronted with a pre-existing latent conflict that simply broke out on this occasion or with a new conflict dynamic as a function of the new constellation.
- Type VI: The conflict dynamic dissolves after a third element disappears. If such cases do exist in family business research, they would warrant further investigation.

8 | CONCLUSION

Conflicts may have various internal and external causes. In our article, we have focused on the impact of third elements on conflict dynamics. Whereas the presence of a third element does not negate the possibility of other (internal) adaptive processes that might contribute to a conflict, our analysis has demonstrated that third elements may have a significant impact on the escalation or de-escalation of conflicts and therefore must be taken into account whenever we wish to understand and manage them. One major take-away of our research is that the absence of conflict in BF may be explained by the presence of tacit or strategically developed third elements. This idea implies the existence of latent conflict dynamics that might escalate once stabilizing third elements disappear, and it would be of great importance to identify and actively create or foster them *before* the conflict dynamics take off.

Our article also demonstrated how and why symbolically charged artefacts such as amulets, family strategy processes, or contractual framework such as family constitutions may break up symmetrically escalative

dynamic between two or more BF members and thus serve as de-escalating third elements.

Though it seems obvious that our conflict-relational framework may be applied to fields other than BF research—such as crisis communication, moral communication, stakeholder management, or media research (Roth, 2017; Tække, 2017; Valentinov & Pies, 2021; Zazar, 2022)—it would still be important to further explore BF-specific features in FB conflict dynamics. Furthermore, it would be desirable to know more about the features or circumstances that confer to third element a preventive function. What we already know is that such third elements include family members, other trusted persons, specific procedures for decision-making, emotionally charged physical items, or a scapegoat. It is therefore not beyond imagination that further aspects such as entrepreneurial orientation, BF norms, religious orientations, or certain health conditions may exert similar influence on conflict de-/escalation. The key question at stake for BF life, research, and consultancy is if third elements can be re-/produced at discretion and if so, under what conditions. In this sense, it remains most relevant to investigate if the awareness of the mechanism of a third element has a critical impact on the functionality of the mechanism itself, for example, in terms of making it obsolete.

ACKNOWLEDGEMENTS

Open Access funding enabled and organized by Projekt DEAL.

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How to cite this article: Nagel, L., Roth, S., & Kleve, H. (2023). Theory of the third: A cybernetic approach to escalative conflict dynamics in business families. *Systems Research and Behavioral Science*, 1–9. <https://doi.org/10.1002/sres.2977>