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# The Impact of Harmony on the Digital Transformation of Family Businesses

**Supervisor**
Ch. Prof. Luciana Orange Cezarino

**Graduand**
Marina Busata
Matriculation Number 866617

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# Abstract

The purpose of this thesis is to first define the concept of the family business, defining its main characteristics and critical issues. It then analyses the issue of conflict management, the concept of 'harmony' in recent accounting and finance literature, and then identifies how decision-making, implementation and technological development are affected by harmony in the family business.

Digitalisation is a crucial process for the future of businesses, especially for family businesses, which are often characterised by more traditional structures and complex decision-making processes. Harmony between family members plays a crucial role in the success of this transformation.

The central question is: can harmony between family members leading a company improve digital transformation by facilitating decision-making and implementation processes?

To analyse the impact of family harmony on digitisation, a case study was conducted on a sample of 25 Italian family businesses, through short interviews and the analysis of data collected through questionnaires.

The results show that a high level of harmony among family members favours a more open and collaborative approach towards the adoption of digital technologies, while internal conflicts slow down or hinder the process.

This research suggests that improving internal relational dynamics is key to promoting digitisation in family businesses. Future studies could deepen the role of new generations in facilitating this transition.

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# Introduction

Family businesses are a vital component of the global economy, recognised for their unique mix of business skills and family values. These businesses often benefit from distinctive competitive advantages, such as long-term orientation, strong family ties and deep community connections. However, family businesses also face significant challenges, especially when it comes to navigating complex interpersonal dynamics. Family harmony, in particular, plays a crucial role in the success and longevity of these businesses, influencing not only internal relationships but also strategic decision-making processes, such as the adoption of new technologies. This thesis explores the impact of family harmony on technology choices within family businesses, a timely topic given the growing importance of digital transformation in the modern business landscape.

In recent years, digitisation has become a central focus for businesses across all sectors as they seek to improve efficiency, customer experience and remain competitive in an increasingly technology-driven world. Family businesses, however, may approach digital transformation differently than non-family businesses. Because of their close-knit structures and often deeply rooted traditions, these firms may resist or embrace new technologies based on family dynamics. This research aims to investigate how harmony within family firms influences their digital transformation efforts, focusing on how internal relationships can facilitate or hinder technological innovation.

To provide a comprehensive analysis, the thesis draws on key theoretical frameworks, including Resource-Based View (RBV) theory, agency theory, stewardship theory and the Socioemotional Wealth (SEW) perspective. These theories provide a basis for understanding the unique characteristics of family businesses and their approach to decision-making. The study also delves into conflict management strategies, as unresolved family conflicts can have a significant impact on business decisions, including technology adoption. An important part of this research is a questionnaire administered to 25 family businesses, designed to assess the correlation between family harmony and technology choices.

The structure of the thesis is as follows. Chapter 1 defines the concept of family businesses and examines the competitive advantages and challenges specific to these businesses. It also provides a theoretical overview of the main frameworks related to family businesses.

Chapter 2 explores conflict management within family businesses, highlighting the antecedents, characteristics and various levels of conflict, as well as methods of resolution. Chapter 3 introduces the concept of family harmony, analysing its role in both economic and non-economic business objectives. This chapter also presents a case study of ‘Service 24h Srl’, which provides a concrete example of how harmony influences decision-making in a family business. Chapter 4 focuses on the relationship between family harmony and digital transformation, discussing the results of the questionnaire and analysing the impact of internal family dynamics on the technological choices of family businesses.

# 1. Defining a Family Business

Today, numerous businesses are structured around families across the world (Bertrand et al., 2006). Family businesses represent the majority of companies and are fundamental to employment growth in many nations (Ramadani et al., 2015). Family-owned businesses constitute over 60% of all European businesses, including sole traders as well as large multinational corporations.

These companies play a crucial role in a nation's economy (Ramadani et al., 2017), and their continued stability is imperative to the advancement of the global economy.

Family businesses are characterised by a concentration of ownership, control, and frequently, key managerial positions among members of the family, even following the founder's retirement.

Family businesses are prevalent, but what are the implications of family control for the governance, financing, and overall performance of these enterprises?

Given that successful family businesses exhibit higher levels of trust, altruism, commitment, long-term planning, and devotion to the company than non-family businesses (Davis, 1983), this study explores how intrapersonal concord facilitates the digital transformation of family businesses by supporting decision-making and implementation processes.

The literature shows that there is not a universally accepted definition of “family business”, with its application limited to specific areas like public discourse, policy discussions, legal regulations, eligibility for support services, and statistical data and academic research.

Employees in family businesses are classified into three groups according to Mandl (2008) and Lambrecht and Naudts (2008):

(1) the founder (or an heir of the founder) as the company's head;

(2) other family members employed by the company and/or participating in the property and/or the internal decision-making process;

(3) non-family members (if any) who are aware of being significantly influenced in their actions by the family group.

A typical characteristic of firms labelled as "family businesses" is the influence of the founder. By occupying prominent managerial positions, the founder bolsters the familial element. Anderson and Reeb (2003) posit that one criterion for a business to qualify as a family business is for the Chief Executive Officer to be the founder or one of their offspring. The significance of this centrality is particularly pronounced in the context of smaller family-run enterprises, where the entrepreneur leaves an indelible imprint on the entire structure, management, and governance of the organization.

Finally, the degree of family involvement (Chrisman et al., 2010) can characterise the behavioural aspects seen in family businesses (Chua et al., 1999). Members of the family often participate in important roles not only in the primary managerial structure (Daily and Dollinger, 1992) and ownership of the company, but also in operational management (Beehr et al., 1997).

According to the European Commission Directorate-General for Enterprise and Industry, any company, regardless of size, can be considered a family business if it meets the following criteria:

*"1) The majority of decision-making authority is held by the individual or individuals who established the company, the current majority shareholders, their spouses, parents, children or their direct descendants.*

*2) There is a predominance of direct or indirect decision-making rights.*

*3) A formal participation in the management of the company requires at least one family or kin member.*

*4) A family enterprise listing is attributed to companies who have been founded or purchased by an individual or their ancestors who possess a 25% share capital required for voting right"[1].*

Experts in the sector utilize a variety of elements to distinguish family businesses, such as ownership percentage, strategic control, multi-generational engagement, and the objective of perpetuating the business within the family.

Depending on the stage of the business, these criteria may be important when defining a family enterprise. For a firm to be categorised as a family business, there must be

[1] This definition encompasses family businesses that have not yet undergone the initial generational transition, as well as self-employed individuals and sole proprietors who possess a transferable legal entity.

involvement from various generations or family personnel in the ownership and management of the company.
This concept covers a broad spectrum of situations, ranging from a large public company with stockholders or board members descended from the original founding family to an independent builder whose records are managed by his daughter, and whose grandson sometimes carries out physical labour for him (Shanker and Astrachan, 1996).
While there is ample scope for differing opinions, it is widely acknowledged that a comprehensive definition of a family business must encompass three essential elements, namely ownership, the enterprise, and the family (figure 1).

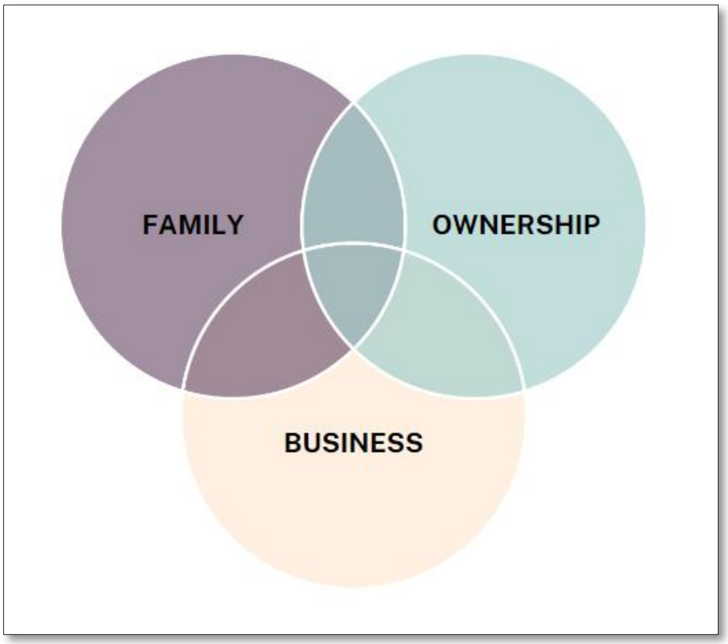



*Figure 1: "3-Circle model" Family Business. Source: Tagiuri & Davis, 1982.*

Ownership is crucial to the functioning of a firm as it facilitates a clear differentiation between family-owned and non-family-owned businesses. Adopting the 'ownership perspective' rather than the 'company size' perspective can aid in enhancing comprehension of this phenomenon[2].

[2] Family business financial management places emphasis on the quality of assets in their balance sheets, prioritising the balance sheet over the profit and loss account.

Also, according to Gersick et. al. (1997), the relationships within a family business are complex and they have identified the same three spheres of influence that affect a family business: family, business, and ownership.

These, in turn, are influenced by factors such as tradition, culture, inheritance laws and religion.

As the head of the family, the parent is selfless towards their family members. However, as the manager and founder of the business, the parent is obliged to adhere to sound business practices to ensure its success and competitiveness in the market.

Davis (1983), and other experts, argue that successful family businesses are characterised by higher levels of trust, altruism, commitment, long-term planning, and love for the company compared to non-family businesses. Family enterprises are also noteworthy owing to their community support, ownership sense, and upstanding principles. Indeed, paternalism is often practised. To non-family members of the company, this helps to create a sense of stability and commitment to the business amongst all employees[3].

It is well known that family businesses are a special type of enterprise, but how does this category differ from non-family businesses? What are the reasons why one should choose a family business? Some elements certainly provide a competitive advantage, but others lead one not to consider this type of business. The next section presents a good overview of how to evaluate these aspects.

[3] See, for example, Kirby (1984)

## 1.1 What is the Competitive Advantage of Family Firms?

As discussed earlier, the competitive edge of family firms often stems from high levels of trust, altruism, commitment, long-term vision, and a strong connection to the company. These factors can contribute to economic success and various other benefits. Additionally, the inherent structure of family businesses fosters stability and loyalty among employees, distinguishing them as a unique and valuable asset in the business landscape. This section will explore the key elements that give family firms their distinctive advantages over non-family businesses.

### 1.1.1 Long-term orientation

An organisational culture that encourages patient investments in long-term and occasionally risky activities is known as a long-term orientation. It is believed that family businesses tend to have a long-term perspective, and many of them can be described as having longer planning horizons.

For family businesses, ensuring the company's continuity for future generations is often a primary goal. The leaders of these enterprises strive to create a lasting legacy for their descendants. This long-term focus is a significant asset for family businesses and aligns with the extended time horizons that successful family enterprises typically embrace.

In contrast, dispersed-ownership businesses look to the short term of business leaders. Betts (2001) cites Giovanni Agnelli, the late patriarch of the Italian industrial dynasty, as saying: 'The [family] company is an inheritance to be protected and handed on.'

According to John Walton of Wal-Mart, his family sees their engagement with the firm in a similar way. "The company is viewed more as a trust and a legacy that we are responsible for, rather than something we own" (Weber and Lavel, 2001).

The fundamental principle is that family businesses benefit from 'patient capital', which focuses on long-term return maximisation and seeks investment opportunities that more narrowly focused, publicly traded companies would not.

### 1.1.2 Substitution

A further argument for the prevalence of family businesses is that, in countries with weak legal systems, family ties can serve as a safety net because mutual trust can compensate for deficiencies in governance and contract enforcement. The capacity of family businesses to operate across vast geographical areas at a time when law enforcement and communication over long distances were impractical was largely due to these trust connections.

In their work, Burkart, Panunzi, and Shleifer (2003) formally present the case for family control as an alternative to insufficient legal investor protection.

The founder may decide to maintain a controlling ownership position in the company and appoint a trustworthy family member as a successor if the financial benefits of control are substantial. This rationale for family-owned businesses has mainly been used in countries with less developed formal economies, such as several in South Asia, where the highest potential private benefits of control are expected. It is important to note that while family control may benefit the family individually, it may not be socially advantageous if it is used to divert funds and resources from minority owners.

### 1.1.3 Human Capital

Another argument often made in favour of family involvement is that it provides founders with access to a superior talent pool. This may be true if there is a significant correlation within the family in terms of managerial talent, or if a founder's offspring are better at passing on business knowledge to each other than to an outside manager. For example, family members could be introduced to the company before having an official role in it.

In nations with illiquid capital markets and challenging conditions for raising significant sums of money to launch a business, families may act as a means of pooling funds. Family businesses can benefit from encouraging unity and collaboration and ensuring that assets are difficult to separate. Moreover, the inherent collaboration among family members can lead to cost savings in managing the organization. For instance, there may be reduced need for resources to oversee family members in managerial roles or to coordinate the various tasks they handle.

### 1.1.4 Politics

Furthermore, political connections can be beneficial for private enterprises, especially in countries where corruption is prevalent (Fisman, 2001; Faccio, forthcoming 2006). These links may provide privileged access to public resources such as government contracts, subsidized financing, or favourable legislation.

Family businesses may be particularly well-positioned to benefit from these transfers because they often have extensive family networks that extend into both business and politics. Strong trust relationships within a family may simplify the maintenance of political ties for family businesses, or even facilitate the creation of new ones if some or all of their children pursue careers in politics.

Family businesses benefit from their ability to navigate the political system, but this advantage can be counterproductive to society if resources are directed towards related but struggling businesses. Morck and Yeung (2004) suggest that strong business families may contribute significantly to the maintenance of a high degree of political corruption in an economy. As previously mentioned, family businesses may be less likely to violate implicit agreements with politicians if they have longer horizons than their non-family counterparts.

### 1.1.5 Family firm-image

The definition of organizational image is what organizational agents want their external stakeholders to understand about their organization. Business leaders can express organizational identity by giving the organization a sense of purpose and exhibiting identifiable organizational symbols to stakeholders (Karreman & Rylander, 2008; Mackey & Whitten, 2002:401; Scott & Lane, 2000).

An organization's objectives and strategies are often associated with its image, which is intentionally presented to external audiences (Dyer & Whetten, 2006; Fombrun & Shanley, 1990; Gilpin, 2008; Hudson, 2008).

Firm executives aim to differentiate their organisation from competitors by creating a unique image.

According to the institutional approach to organisational identity, leaders convey their ideas about what the organisation is and should stand for by providing consistent narratives to members. This helps to build a shared sense of identity and give context to their organisational experience (Gilpin, 2008; Ravasi & Schultz, 2006).

Image-creating activities are an essential component of organizational identity construction. According to Scott and Lane, these activities serve the dual purpose of making public what is special, unique, or distinctive about organizations to stakeholders, while simultaneously providing the mechanisms through which managers explore what an organization is about - that is, what its core values and central beliefs are.

Organisational reputation is "a particular type of feedback that organisations receive from their stakeholders about the credibility of the organisation's identity claims" (Whetten & Mackey, 2002: 401), whereas organisational image focuses on how a firm is portrayed to external stakeholders (Hudson, 2008). Marketing initiatives are seen by economic reputation models as visual cues designed to influence the opinions of external audiences (Fombrun & Shanley, 1990). A firm's capacity to charge larger prices (e.g. Klein & Leffler, 1981), attract new clients (Fombrun, 1996), increase access to financial markets (Beatty & Ritter, 1986) and sustain market share during industry downturns (Fombrun, 1996) can all be related to its excellent organisational reputation.

According to Zellweger et al. (2010), both internal and external changes can affect the reputation and success of a family business. Because their identities are intertwined and provide a platform for support, family managers have been observed to go beyond the firm to cultivate and maintain a positive family firm image. A strong family business image can serve as an important tool in fostering bonds and synergies between the family and the business as it expands and matures.

As a result, a positive perception of the family business can promote moral decision-making (Berrone, Cruz, Gomez-Mejia, & Larraza-Kantana, 2010; Dyer & Whetten, 2006) and a sense of duty among family members to support the goals and business plans.

Because family firms are able to integrate elements from both the business and family domains, they may be particularly adept at creating unique identities, as organisational image distinguishes one organisation from others in the eyes of organisational members and external audiences (King et al., 2010; Scott & Lane, 2000). (Sundaramurthy & Kreiner, 2008). This makes it possible to implement distinctive branding tactics that highlight the company's family ties, as demonstrated by companies such as Hipp in Europe and SC Johnson in the US. In this sense, the family personifies the business and becomes a distinctive, unique and marketable external resource for it.

In fact, it has been proposed that creating a family-based brand identity enhances firm growth and profitability because it promotes customer-centric values (Craig et al., 2008). Firms that project a family business image may be able to benefit from consumers' favourable opinions of these firms, as they are perceived as reliable, customer-oriented and quality-focused (Cooper et al., 2005; Sundaramurthy & Kreiner, 2008). In addition, a family-friendly business image may benefit a wider group of stakeholders than just customers.

In particular, a family business's reputation for reliability, social responsibility and quality work (Craig et al., 2008; Dyer & Whetten, 2006; Tagiuri & Davis, 1996) can foster an extended family of stakeholders (suppliers, business partners, etc.) who uphold the values of the family and the business, such as loyalty, fairness and respect. Strong stakeholder relationships benefit the business by providing access to reliable and timely information needed for day-to-day operations. They also tend to attract investment and business prospects (Sieger, Zellweger, Nathan, & Clinton, 2011; Uzzi, 1997).

However, not every family business chooses to project a family image and not every family business is defined as such by its owners, managers or employees (Westhead & Howorth, 2007; Zellweger et al., 2010).

Family businesses have two relevant identities: the family and the business, which can be separated or integrated to varying degrees, according to a recent study using organisational identity theory (Sundaramurthy & Kreiner, 2008). Companies that present themselves as 'A Family Company', such as SC Johnson, may be perceived as having a highly integrated identity, where the company and family identities are emphasised to stakeholders.

On the other hand, some family firms prefer to behave like non-family firms and ignore or minimise their family status. These firms may avoid developing a family business reputation because of the (mis)perception that they are stagnant and resistant to change (Eddleston, Kellermanns, & Sarathy, 2008; Miller et al., 2008). Perhaps some family firms are reluctant to identify as such because they want to be seen as professionally run businesses, free from family problems such as particularism and nepotism.

Certain family-owned businesses, such as Mars, may appear to conceal or downplay their familial connections. However, a strong family business image can be linked to higher firm performance. This is because an organizational identity can be a significant and unique source of competitive advantage, and a family's identity is distinct and therefore impossible to entirely imitate (Sundaramurthy & Kreiner, 2008).

#### 1.1.5.1 Family Pride

The pride that family members have for their family-run business embodies the respect and regard they hold for it.

According to Pierce, Kostova, and Dirks (2001), pride is the emotion that reflects how one feels about others knowing that they are a member of an organization. Tracy (2004) notes that pride is unique in that it conveys a sense of deserving more respect and recognition by demonstrating care for acceptability and appearances.

Family firm pride may influence a family firm's decision to project a positive image. This is because pride takes into account the perspectives of others. If family members believe that their company, its history, or their family is noteworthy, they may be more inclined to create a family firm image. However, family members may be more likely to hide their family firm status if they feel ashamed of their family firm's history or membership (Litz & Turner, in press). Family firm image mediates the relationship between family business pride and performance. This is explained below by examining how pride may affect family company image and performance, drawing on organisational identity theory.

Identity theory suggests that increased affiliation with a group or organisation can lead to pride (Ashforth & Mael, 1989). Companies play a significant role in shaping employees' self-concept, and individuals derive satisfaction from belonging to organisations (Cable & Turban, 2003; Brown & Marshall, 2001; Dutton, Dukerich, & Harquail, 1994).

Research suggests that the identities of organizational members are closely linked to the identities of their organizations (Ashforth & Mael, 1989; Dutton et al., 1994; Scott & Lane, 2000).

Individuals are more likely to strongly identify with their organisations if they perceive them as attractive and if they are well-connected and visible members of their firms (Ashforth & Mael, 1989; Dutton et al., 1994). Organisational leaders create an image of the organisation that they believe will enhance goal achievement and is consistent with their self-concept because they need to feel proud, consistent, and self-sufficient (Scott & Lane, 2000). Scott and Lane (2000) argue that successful business leaders are motivated to cultivate a positive organizational image because their sense of personal accomplishment aligns with the identity of their company.

Pride may play a significant role in family businesses since a family's history and identity can be shaped by the achievements of a single person (Ward & Aronoff, 1995). Additionally, family firm pride can be very resilient and powerful due to the family component. For instance, Ashforth (1998: 279) explains that identities are developed and maintained most strongly when enacted in a 'local, tribal context,' while Fiske (1991) recognises the power of enactment among close kin. According to Miller et al. (2008), family business executives may actively work to create a positive organizational image due to their affiliation with their family and company, which is linked to their self-esteem. Family businesses recognise that negative public perception can harm the reputation of the family (Dyer & Whetten, 2006: 791). Therefore, a family firm's image should be positively associated with its pride.

Furthermore, a family-oriented business will perform better. Family relationships create an emotional bond and a sense of commitment that inspire family members to work towards common goals (Sundaramurthy & Kreiner, 2008).

Achieving family obligations can provide a sense of pride and act as a significant non-monetary incentive for family firm members. It can also serve as a common ground for rallying around. Research on organisational identity theory suggests that individuals who strongly identify with their organisations feel a greater sense of responsibility towards them (Dipboye, 1977) and act in a manner that benefits and encourages their companies (Dutton et al., 1994).

Organisational pride has been identified as a significant factor in job satisfaction, which in turn influences firm performance (Smithey-Fulmer, Gerhardt, & Scott, 2003). Similarly, employee morale motivates organisational members to exert extra effort to achieve firm goals (Gunter & Furnham, 1996). Additionally, Sundaramurthy and Kreiner (2008) argue that high family pride leads to behaviour policing by family members, which can improve company performance. Families with prominence and reputation may have an advantage in raising funds and retaining clients since organizational pride has been linked to organizational prestige (Smidts, Pruyn, & Van Riel, 2001).

Family members may invest in the family business due to family firm pride, which promotes expansion and prosperity. Therefore, it is expected that family firm pride will enhance the company's performance.

Benefits of a family firm reputation are the primary means by which family firm pride affects performance. It is expected that the respect and regard that family members have for their company will lead to good company performance by projecting a positive image of the company to stakeholders. Therefore, the relationship between family company pride and business performance is influenced by family firm image.

#### 1.1.5.2 Community social ties

External stakeholders, as suggested by Gioia (1998), Gioia et al. (2000), and Smidts et al. (2001), are believed to have an impact on organisational identity. Members of an organisation modify their identity based on data acquired from external sources, as explained by Hatch and Schultz (2002), who state that 'identity is a relational construct formed in interaction with others.' Organisational members use social comparisons as a tool to develop their organisational identity. This is because people want to highlight the unique qualities of their organisation (Bartel, 2001).

An organisation's identity becomes more distinct and recognisable through social interactions with external stakeholders (Bartel, 2001). Members of an organisation gain insight into the public's expectations and perceptions of the organisation through their social contacts with external parties (Dutton et al., 1994). According to Dhalla (2007) and Gioia & Thomas (1996), an organization's image is influenced by how external stakeholders perceive it. Therefore, social connections within a community can reflect the public's perception of the company and its unique selling points compared to other companies in the area.

Therefore, social connections could help shape an organization's distinctive identity and, consequently, its distinctive image. To propose family business image as a mediator, it is important to first link community social links to family company image and subsequently performance.

Businesses often associate themselves with other like-minded businesses in their community, particularly other family businesses in the case of family firms (Lester & Cannella, 2006). According to Lester and Cannella (2006), family businesses can gain insight into the operations of other family businesses and establish shared language, customs, and values through connections with them.

Regular meetings can facilitate the exchange of important information, the development of a shared perspective, and mutual acquaintance (Tsai & Ghoshal, 1998; Walter, Lechner, & Kellermanns, 2007). For family businesses, these meetings can also provide an opportunity to appreciate their unique family history and the importance of family within their organizational identity as they interact with other businesses in their community. Community social links can assist family firms in understanding the socially desirable attributes that the public frequently associates with family firms. Social comparisons facilitate sensemaking and information gathering (Bartel, 2001), making it likely that the community's perspective of the company will enhance the family firm's reputation.

Family businesses often aim to establish strong social connections within their communities. This allows them to accumulate trust, collaboration, and social capital that can benefit both the current and future generations (Lester & Cannella, 2006; Sirmon & Hitt, 2003). The commercial relationship between the family firm (borrower) and bank (lender) often spans generations. As a result, family firms benefit from lower costs associated with debt financing (Anderson, Mansi, & Reeb, 2003). Additionally, the loyalty of lenders, clients, staff, suppliers, and other stakeholders often results in a family business's assistance for the community being returned over time (Niehm, Swinney, & Miller, 2008).

These businesses strive to cultivate a positive image as a family business, acknowledging the importance of the goodwill and social capital that they receive from their communities (Miller et al., 2008). Furthermore, family leaders can establish more dependable, long-lasting, and consistent connections with banks, other local organisations, and community leaders due to their personal involvement in the family business (Arregle et al., 2007; Carney, 2005; Lounsbury & Glynn, 2001; Sirmon & Hitt, 2003).

According to Lester and Cannella (2006), family leaders utilise strong community links as a crucial strategy to protect and expand their companies and improve their reputations.

According to social capital research, a company's image can be improved by participating in a community network (Lester & Cannella, 2006; Salvato & Melin, 2008; Sharma, 2008). This aligns with the notion that community involvement is an investment in a company's image (Spence, Schmidpeter, & Habisch, 2003). Therefore, a family's strong reputation can be bolstered by robust community relationships.

Finally, social connections within a neighbourhood can improve the performance of family businesses, based on research that highlights the importance of social capital in such firms. As Nahapiet and Ghoshal (1998) explain, social capital refers to the resources that are available through, derived from, and embedded within social ties in a network. According to the literature on family businesses, they are often able to generate significant social capital due to their integration into the unique family unit and relationships with other stakeholders (Arregle et al., 2007; Pearson et al., 2008).

Additionally, future generations benefit from the development of strong social relationships, along with present family members (Sirmon & Hitt, 2003).

An organisation can access resources and knowledge of other organisations through a diverse network of social connections (Powell, Koput, & Smith-Doerr, 1996; Tsai & Ghoshal, 1998). This can provide opportunities to lower risk and increase capabilities (Chang, Memili, Chrisman, Kellermanns, & Chua, 2009; Jack, Dougd, & Anderson, 2004; Peredo & Chrisman, 2006).

While family firms offer numerous benefits, such as those mentioned previously, they can also face internal challenges. The next section will explore common negative aspects, including nepotism, legacy issues, and inheritance conflicts.

The next chapter will discuss how conflicts can be categorized and managed.

## 1.2 Challenges in Family Firms

Contrary to the multiple positive advantages for family businesses, family corporate structure may not be an ideal response to the economic environment.

Family ties within a company can create unique challenges that are not present in non-family companies. The combination of emotional and business relationships can cause major disputes and sometimes lead to employee discontent and financial problems.

### 1.2.1 Nepotism

Family ties can lead to nepotism. This 'familism' stopped these businesses from growing. Instead of hiring professional managers, founders may choose to hire family members because they may find it valuable to have relatives involved in the company. Nepotism can have a negative effect on the company. If employees at lower levels know that promotions are based on family connections, they may not work hard or stay with the company. This can make it hard to keep talented staff. To perform well and keep a motivated workforce, it is important to avoid nepotism and make appointments based on merit.

### 1.2.2 Legacy and Inheritance Norms

Cultural values may impose a desire to leave a lasting legacy and preserve family dominance at all costs. However, this goal may not always align with the optimal long-term course of action, especially if it causes families to exhibit extreme risk aversion or to pass up lucrative expansion plans or business mergers.

Going deeper into the issue of inheritance, inheritance laws often reflect the cultural limitations of family businesses. These laws can range from equal sharing among all the children of a founder to strict primogeniture, in which the eldest son inherits everything. Strict inheritance laws can result in direct costs for family enterprises. Provisions that grant equal shares to all of the founder's sons in a company may lead to conflict. Sibling cooperation is not always easy to establish, even if family members have close bonds. Regular meetings within the framework of the family company can result in savage infighting.

Family businesses may struggle to operate under strict inheritance laws. However, disregarding these laws could have costly consequences, potentially undermining family members' expectations for their roles within the company and the family.

In summary, family-owned firms exhibit a distinctive long-term management approach, challenging the notion that companies with broader capital prioritize short-term gains.

Additionally, family involvement brings benefits such as increased access to a diverse talent pool, facilitated transmission of company know-how through familial mentorship, and cost reduction through the natural cooperation among family members.

Family-owned firms are different because of their financial strategy, commitment to future generations, access to talent and way of working together. These things help them to survive and succeed in business.

These companies focus on passing the business down through the family, which is in line with the values of family devotion and intergenerational bonds.

The idea of 'patient capital' is vital for the long-term success of family businesses. It is based on the values of persistence, heritage, and the duty to safeguard and foster the enterprise for forthcoming generations. This fits with wider family values, where passing on principles, customs and a sense of duty to heirs is important.

Family-owned firms have specific values. These are shown in their financial strategy, commitment to future generations, access to talent, and how they work together. Family businesses contribute to the business landscape and the practice and understanding of family values.

Family-owned firms have strengths based on their values and commitment to future generations. But they also have challenges.

Family ties can lead to nepotism, where decisions are biased towards family members, which can hinder business growth. Furthermore, cultural beliefs about family legacy and control may not be the best long-term strategy. Rules about inheritance, from strict primogeniture to equal sharing among siblings, can also affect family businesses.

Running a family business is hard. You have to find a way to balance family values with good business practices. These businesses often succeed when they resolve conflicts. Family businesses have different dynamics, so disagreements must be managed.

Managing conflict is important for family businesses. Family governance structures, open communication and training on family business dynamics can help minimise conflict and ensure the long-term success of the family business.

## 1.3 Main Theories Related to Family Firms

Strategic planning can assist companies in optimising their resources, thereby enhancing their performance. Family firms, in particular, must manage their resources effectively and implement strategies to compete successfully in an increasingly competitive environment (Sirmon & Hitt, 2003).

Strategic planning helps firms make better decisions about how to use their resources. Strategic planning helps firms use resources better and gain a competitive advantage.

Peters and Buhalis (2004) say that family firms often have informal business practices and lack planning. Additionally, Garcia et al. (2007) say that family firms usually don't plan strategically. Kotey (2005) found that only a few small and medium-sized family firms have a business plan. Small firms focus on short-term tactics, not long-term strategies. More established family firms have a formal strategy development process. Scholars have explored the impact of family involvement on family firms.

Scholars have introduced several key theories to understand the relationship between family firms and their performance. Four main theories from a strategic viewpoint are: agency theory, resource-based view, stewardship theory and social-emotional heritage theory. These frameworks show how family firms are different.

Agency theory sees the company as a series of contracts between those in charge and those working for them. In family businesses, everyone's goals are usually aligned, which helps to avoid conflict and improve performance. RBV theory says that family involvement helps the firm to develop valuable resources and capabilities, which help it to succeed (Sirmon & Hitt, 2003).

Stewardship theory says that managers in family firms are more likely to act in the company's best interests because they trust each other and want to help. This helps family businesses succeed.

Lastly, social-emotional heritage theory says that family businesses often focus on things other than money. Family businesses may perform better if they focus on preserving their social and emotional wealth (Gomez-Mejia et al., 2007).

### 1.3.1 Resource-Based View Theory

In the pursuit of answering a fundamental question in strategic management - 'Why do some companies outperform others?' - scholars have explored the topic of performance from various perspectives. However, in the last decade, the Resource-Based View (RBV) has become the dominant perspective in investigating corporate performance. This view suggests that a company's resources are largely responsible for the returns it achieves. Scholars have identified four characteristics that resources must possess to constitute a competitive advantage: they must be valuable, rare, difficult to imitate, and irreplaceable. The relationships between resources and performance suggested by RBV have found wide support in the literature, based on the assumption that companies can have heterogeneous and idiosyncratic resources over long periods of time.

Hitt et al. (2001) found that human capital can have direct and indirect effects on firm performance. Brush and Arz (1999) also demonstrated that firm-specific resources and industry-required capabilities can affect performance and be used to protect competitive advantage. However, effective integration and utilization of these resources is crucial for achieving competitive advantage (Hitt et al., 2001).

Therefore, it can be concluded that resources alone are not sufficient to provide a competitive advantage. Instead, resources must be managed appropriately to create value. Furthermore, the effective integration and utilization of available resources increases the difficulty for competitors to imitate or develop substitutes for those resources.

Habbershon and Williams (1999) argue that family firms possess unmatched competitive advantages, making them more likely to succeed than non-family firms. Additionally, family firms are exemplary long-term investors and models for the future of business. Applying the RBV theory to family businesses reveals that their unique characteristics can be a source of resources that, if managed strategically, can contribute to improved business performance. According to RBV literature, firms can achieve better performance by developing resources and capabilities that their competitors cannot replace or imitate (Barney, 1991).

To compete, companies must invest in knowledge, culture, infrastructure, business models, and relationships with partners. The Resource-Based View (RBV) says that businesses can gain a competitive advantage by developing unique characteristics that improve performance. These characteristics must be distinctive and unavailable to competitors. Barney (1991) said that resources must be valuable, rare, difficult to imitate and non-substitutable. The RBV looks at many things that can help a company compete, including leadership, technology, money, production, branding, patents, human capital, knowledge, culture and networks. But just having these resources doesn't guarantee success. Companies must use them in a strategic way to gain an advantage and meet their goals.

To succeed long-term, a company must develop unique, hard-to-replicate resources. Family businesses should focus on developing resources that strengthen family bonds and their competitive position. Complex resources are hard for competitors to copy. Some say family firms with strong internal cohesion and an emphasis on innovation may have an advantage. The family, the business and individuals within the family can create unique resources and capabilities that give them a competitive edge (Chua, Chrisman, Sharma, 1999; Zahra, Hayton, Salvato, 2004). This can lead to a competitive advantage or disadvantage depending on the levels of social, human, and financial capital within the firm.

RBV says that firms are made up of unique resources and capabilities. These form the foundation of their strategies and serve as their main source of revenue. These resources, which include assets, people, knowledge, patents, and processes, help a firm compete. The advantage comes from combining resources in ways that competitors cannot copy.

There are three ways to gain a competitive advantage: cost leadership, differentiation, and niche market focus. You can pursue one or more of these strategies to outperform competitors. It is important for a company to have good strategies to survive in a fast-changing environment. Also, keeping a competitive advantage is linked to keeping customers happy. Happy customers are more likely to stay loyal. Price, quality and personal preferences affect satisfaction.

The RBV framework has been used to identify the unique resources and capabilities of family businesses. Family firms often have unique capabilities that competitors find difficult to replicate. These capabilities are sometimes called 'family capital'. This term can be subjective, so use it carefully.

### 1.3.2 Agency Theory

Agency theory refers to conflicts of interest that can arise between an agent, who acts as a representative of a principal, and the principal themselves. This theory arises due to information asymmetries and differing interests between the two parties.

In family businesses, agency problems can be particularly challenging to manage. However, it is important to note that families are not a homogeneous group of people pursuing the same interests, and not all family businesses are similar in their organizational structure and behaviour. In fact, the agent problem may arise in some families.

For instance, parents may wish to involve their children in the company, even when faced with a skills shortage. However, this can lead to economically suboptimal situations for the company and other employees. James (1999) demonstrates in a two-period model that families typically have longer investment horizons than external stakeholders and are more motivated to comply with market rules when evaluating projects than external stakeholders. Burkart et al. (2003) found that family firms do not outperform non-family firms. In fact, family businesses can have a negative impact on employee effort and productivity. It is common for families who run family businesses to prioritize their own interests over those of other stakeholders. Individuals may make decisions and take actions to maximise their personal advantage. However, some of these actions can potentially result in suboptimal policies that negatively affect the performance of the family business.

Anderson and Reebs (2003) argue that ownership concentration is the result of profit-maximising decisions by current and potential shareholders and should not affect corporate value. Smith and Amoako-Adu (1999) and Perez-Gonzalez (2006) found a negative relationship between stock market reactions and the appointment of family heirs as managers.

When control is in the hands of a professional, ownership and management become separate. Agency costs are recognised as one of the most pervasive costs of the separation of ownership and control. If this separation is not kept under control, managers may have access to private information and act opportunistically rather than in the interests of the owners (Jensen & Meckling, 1976). Family firms, however, differ from shareholder-owned firms and are not subject to some of the problems of agency and information asymmetry that characterise them. Research and studies suggest that family firms exhibit distinct behaviour compared to non-family firms (Anderson and Reeb, 2003; Villalonga and Amit, 2009).

Scholars of agency theory consider family firms to have an extremely advantageous governance structure, as management and ownership are aligned rather than separate. This condition minimises possible agency costs. Agency theory is employed in two ways when it comes to family firms. On one hand, family-managed companies may experience lower agency costs due to the alignment of interests and minimal information asymmetry between owners and managers (Chrisman, Chua & Litz, 2004).

Family business owners may use their position and knowledge for personal gain, which is the main problem of agency theory. Family control in businesses can also have disadvantages. In family firms, the traditional principal-agent conflict is less common. Instead, there can be a principal-principal conflict between majority and minority shareholders. This happens when the family in charge puts its own interests first, which could mean that minority shareholders are treated unfairly, to keep control of the company. Demsetz (1988) said that when people have a lot of their wealth tied up in a

business, they want to keep a close eye on it. In family businesses, majority ownership gives the power to appoint key managers and influence major decisions.
Family owners can monitor top management closely. Additionally, they know the business well, so it is harder for managers to misuse company resources for personal benefit. In publicly traded companies, small or institutional shareholders often lack the time, expertise, or influence to monitor management effectively.

### 1.3.3 Stewardship Theory

Recent literature suggests that stewardship theory can be a valuable lens for studying family involvement as an advantage that can maximise firm performance (Corbetta & Salvato, 2002). Stewardship theory is rooted in Douglas McGregor's 'Theory Y' assumptions (1960).
In his book, McGregor set out two different ideas about human nature. McGregor's 'Theory X' assumes employees are lazy, unmotivated and need strict supervision to perform. McGregor developed 'Theory Y', which suggests employees are self-motivated, responsible and creative. This approach says that work is natural and fulfilling. When employees are given autonomy and are aligned with organisational goals, they are more likely to be committed and productive. Managers who believe in 'Theory Y' know that employees are not just in it for themselves. They see them as the company's stewards.
Stewardship theory says that managers are most effective when they act in the company's best interests. Stewardship theory says that managers in family businesses are less likely to act opportunistically and more likely to identify with the company's goals. Family business managers often see their role as providing security, belonging and family unity (Gomez-Mejia et al., 2007).
In family businesses, loyalty and commitment to the business can be created by family members acting out of concern for one another. This makes family members depend on each other, so they put the company first. Eddleston et al. (2008) say that family businesses that encourage loyalty and teamwork can gain a competitive edge. This approach helps the family and company work together, which makes the business more competitive.
But too much altruism can be risky. If family members are promoted without merit, it can harm the company's performance. A stewardship-oriented culture can make a company

more flexible and help it respond to changes. Zahra et al. (2008) showed that a culture of family dedication and stewardship makes a company more adaptable. Family members are motivated to work hard, which encourages non-family employees too. This can lead to better performance and a competitive advantage for family firms.

### 1.3.4. Socioemotional Wealth Perspective (SEW)

Recent literature on family businesses suggests that their main objective is to preserve the 'socio-emotional heritage'. This theoretical approach characterises family businesses as pursuing non-economic objectives, such as creating a sense of belonging among members, reflecting the family's values, and preserving the family dynasty over time. According to this theory, family entrepreneurs are mainly concerned with preserving their social-emotional heritage. The founder is most strongly committed to pursuing these goals, while subsequent generations may experience a loosening of these socio-emotional ties due to the inescapable phenomenon of generational drift.

The socio-emotional aspects of family businesses are diverse, including the opportunity to exercise authority, satisfy needs for identification, belonging, influence, and intimacy, perpetuate family values through business, preserve the family dynasty and social capital, fulfil family obligations based on blood ties rather than strict competence criteria, and be altruistic towards other family members (Schulze et al., 2003). Losing this socio-emotional richness can result in the loss of family influence, jeopardize status, and prevent the fulfilment of family expectations.

According to some authors, a crucial aspect of the social-emotional heritage of a family business is that it fulfils the need for identification. Identification refers to an individual's perception of themselves, based on social categories to which they feel they belong. Pratt suggests that deep psychological gratification is achieved when an individual's opinion of their organisation becomes self-referential or self-defining. When an employee strongly links their self-concept to the identity of the company, they derive significant non-economic benefits from belonging to that organisation. Identification with the organisation is particularly important in family businesses and is part of the socio-economic heritage. Family businesses represent an element of self-definition for their members based on family ties.

This identification also exists outside the set of organisational activities. Over time, it ends up defining what it means to be a family business. In other words, the social status of an employee in a family business is closely linked to their employer. A lasting attachment means that self-concept and self-esteem are likely to be enhanced through long-term identification with the company, which often bears the name of the employer. Therefore, the preservation of family emblems is central to the identity of a family business. The arguments above indicate that for family businesses, preserving the social-emotional wealth of the family, which is closely tied to the organization, is a primary objective in and of itself. Achieving this goal necessitates constant family control of the business. Thus, family businesses are more likely to maintain direct control over the company's affairs, regardless of financial considerations. The superior performance of family businesses can be attributed to the owners' desire to preserve their social-emotional wealth. Family-owned businesses exhibit a greater concern for the reputation and image of the family due to their strong identification with the business and their desire to leave a sustainable company for future generations.

SEW is used to examine various phenomena linked to family businesses, such as firm diversification (Gomez-Mejia et al., 2010), divesting unproductive business units (Feldman et al., 2016), acquiring firms (Gomez-Mejia et al., 2018), biases towards long-term investment decisions within family firms (Le Breton-Miller and Miller, 2006), and managing innovation processes (Duran et al.).

Some previous research has assumed that family firms behave uniformly in their innovation decision-making process, based on family ownership. However, in reality, the innovation behaviour of family firms does vary. The SEW perspective is utilised to illustrate the risk-averse attitude of family firms, with the various elements of SEW having different impacts on innovation in family businesses.

The SEW perspective identifies four main themes: strategic decision-making, dynastic succession, internationalization decisions, and profit management.

#### 1.3.4.1 Strategic Decision-Making

The SEW perspective has been applied to clarify the strategic decision-making of family enterprises.

Arnold et al. (2019) analyse the competitive behaviour of IT family SMEs in Germany.

They examined eleven cases of family SMEs and identified their collaborative tendencies due to resource restrictions. Collaboration helps overcome resource constraints for expansion and preserves the familial SEW.

Binacci et al. (2016) examine the effects of adding non-family members to the top management team on the performance of companies. They collected data from executives at 584 Italian furniture firms using a survey-based approach. The research uncovered that the inclusion of non-family members provides functional diversity and enhances business performance. The duration of non-family team members' employment has a U-shaped relationship with family businesses. This suggests that in order to maintain SEW, enterprises should regularly delegate authority to competent external individuals within the top management team. Several studies have investigated the economic consequences of SEW.

Chen and colleagues (2014) deployed SEW theory to contrast family and non-family enterprises. Their findings posit that family-run firms, in contrast to non-family businesses, demonstrate a preference for securing higher growth rates of employment rather than sales. This emphasis on employment growth is linked with a focus on long-term relationship management, which is seen as instrumental in boosting future performance.

Previous research has found a correlation between job expansion and revenue growth in entrepreneurial family enterprises (Colombo and Rabbiosi, 2014). However, this correlation is weaker in family businesses than in nonfamily firms. The latter firms are more likely to hire or terminate employees in response to changes in sales growth whereas family businesses are more cautious in maintaining their SEW.

Recent studies have uncovered the diversity of SEW in family-run businesses. Vandekerkhof and colleagues (2018) conducted research into the variability of SEW preservation within top management teams. The study involved gathering data from a sample of 300 managers in 55 private, family-owned businesses in Belgium.

SEW heterogeneity among team members negatively affects decision-making quality. Psychological safety among team members improves their connection.

Brannon and Edmond (2016) found that the influence of SEW dimensions varies based on the size of tobacco grower enterprises in North Carolina, USA. Their study determined that SEW dimensions have a greater impact on micro-sized enterprises than on larger

firms. Family identity and emotional connections with family members can influence the management of micro-businesses.
A study by Miralles-Marcelo et al. (2014) found that the size and age of a business play a role in the relationship between family control and performance. It was found that there is no statistically significant difference between small or older family businesses and non-family businesses.

#### 1.3.4.2 Dynastic Succession

One of SEW's main goals is to keep families involved in the company through the next generation. Chang and Noguera (2016) looked at how the way a family firm is run after the founder retires affects how well it performs. The founder's limited rationality can make it hard for successors to copy their success, which may harm the company in the long term. The study showed that the governance systems set up by founders were often self-serving, which led to problems for the business after they left.
Minichilli et al. (2014) used SEW to show how choosing a succession plan affects a family business's performance.
There are three ways to plan for the next generation of leaders: 'Relay succession', an internal CEO candidate, 'horse races', and hiring from outside. Organisations try to balance SEW non-financial objectives and financial performance when making such decisions. Any of these options had a negative impact on performance. Family members on the board focus too much on SEW, which hurts firm performance during succession.
Hirigoyen and Basly (2019) looked at how family business owners felt about selling their companies during the 2008 financial crisis. They found that family members' emotional attachment to the company and desire to pass it on to the next generation affects their decision to sell or stay during a crisis.

#### 1.3.4.3 Internationalization Decisions

The SEW perspective has been leveraged to scrutinise the internationalisation behaviour of family firms regarding risk-taking. Family control in terms of ownership and management has demonstrated varied effects on internalisation decisions, as per Boellis et al.'s (2016) findings.

According to SEW, family-owned businesses exhibit risk aversion, constrained information access, and a sense of ownership and control, which translates into preferential Greenfield investments over acquisitions. Greenfield investment provides family owners with greater influence. It has also been observed that when organisations acquire international experience and their managers become more professional, this mindset shifts.

Stieg et al. (2018) examined the correlation between business performance and internationalisation among family and non-family enterprises.

SEW theory was combined with internationalisation process theory in this study. The authors used a fuzzy set qualitative technique and found that organisations differed in their management education, knowledge of foreign markets, international business experience, and collaboration intensity, which predicted internationalisation.

Dou et al. (2019) investigated the effect of family engagement on business internationalisation decisions by combining SEW theory with a resource-based perspective. They found that family engagement has a significant impact on the internationalisation decisions of firms. The study found that intergenerational family involvement positively influences firm internationalisation. This effect becomes even stronger when corporations expand into geographically distant markets. On the other hand, it was also found that having a family member as the chair of the board has a negative impact on internationalisation behaviour. However, this effect decreases as the board member gains more experience in international business.

#### 1.3.4.4 Profit Management

Some recent studies have utilised the SEW perspective to examine earnings management in family firms. Bataineh et al. (2018) studied the influence of family ownership and board composition on earning management decisions in a sample of Jordanian family businesses. Their findings revealed family ownership being linked to better earning management. Additionally, the study did not discover any significant association between board characteristics (board member education, board size, and board duality) and earnings management.

A firm's corporate structure shows an inverted U-shaped association between ownership distribution among family members and debt levels (Bacci et al., 2018).

Liu et al. (2017) examined earning management in family businesses through the lens of corporate social responsibility (CSR) and found that CSR helps firms attain legitimacy and preserve SEW. In comparison to non-family enterprises, family firms engage in less accrual-based earnings management.

According to Yu et al. (2015), the control by the family as the majority ownership and presence on the board (known as SEW) is positively associated with firm CSR performance in publicly listed family enterprises based in Taiwan.

These results show that family businesses are complex and shaped by socioemotional wealth. SEW helps us understand the emotional and non-financial aspects of decision-making in family businesses. It also shows us the special challenges these businesses face.

Strategic planning is important for family businesses operating in competitive environments. These firms can quickly take advantage of opportunities and stay relevant by managing their resources well. Strategic planning helps businesses use their resources to gain an advantage.

But family firms often find it hard to make strategic planning formal. Many family businesses use informal approaches and lack formal plans, which can limit their success and adaptability.

Smaller family firms focus on short-term tactics, while larger ones have formal strategy development processes.

Scholars have studied how family involvement affects firm performance. This has led to four main theories: Agency Theory, Resource-Based View (RBV) Theory, Stewardship Theory and Social-Emotional Heritage Theory.

These four theories help us understand family businesses and how they affect performance. Together, they show how family dynamics affect strategic decision-making in family-owned businesses. These theories show that managing conflict well is important in family businesses. This helps them to succeed in the long term.

# 2 Conflict management in the family business

## 2.1 Introduction

The corporate cultures of family enterprises are closely tied to the personalities, ideals, and worldviews of their founding family. Any efforts to modify the cultural foundations of the family business are hindered by this initial cultural imprint (Deal and Kennedy, 1982; Kilman, Saxton, Serpa, and Associates, 1985; Lundberg, 1985; Wilkins and Dyer, 1988). The mixing of the cultures of different family units with the corporate culture can further complicate the cultural backdrop of family enterprises. The tension between the company culture and the family units' cultures can lead to conflict in a family business.

According to Danco (1982), Beckhard and Dyer (1983), Kepner (1983), Lansberg (1983), Flamholtz (1986), Ward (1988), Prince (1990), Whiteside and Brown (1991), and other sources, role ambiguity, role conflict, communication problems, and business decisions that negatively impact families are common. Conflict may even be sparked by change itself in family enterprises (Beckhard and Pritchard, 1992).

Disagreements can arise in family businesses with both external and internal stakeholders (Danco, 1982). Due to a lack of staff and support infrastructure, these stakeholders may interact with family members more frequently (refer to Figure 2).

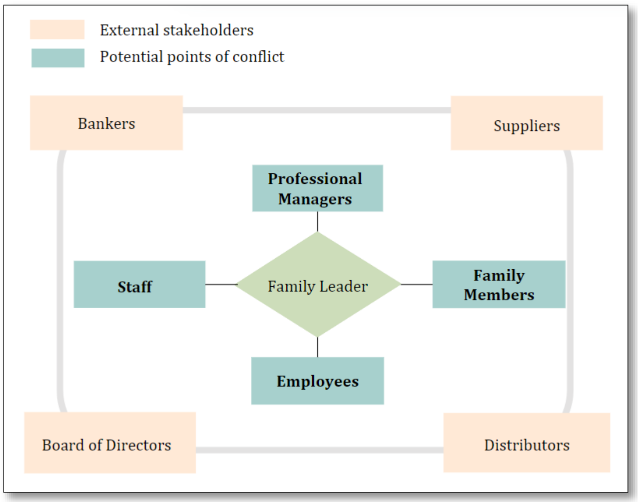



*Figure 2: Points of External and Internal Conflict in Family Business. Source: Harvey, M., & Evans, R.E. (1994).*

The framework for analysing conflict in family businesses is based on the points of contact between the family and internal and external stakeholders. These points also provide a proactive way to resolve dysfunctional conflict. Usually, family members make an effort to personally settle disagreements with each stakeholder. Issues arise when there are several points of contention occurring simultaneously. Identification of dispute resolution procedures can often fall outside the scope of a family member's managerial expertise or availability. Unresolved conflicts that persist within the family business or with external stakeholders can lead to complex problems.

## 2.2 Antecedents and Characteristics of Family related Conflicts

Research on family-related disputes is categorised into three groups based on best practices in literature reviews (e.g. Frank et al., 2011; McKee et al., 2014): antecedents, characteristics, and outcomes.

### 2.2.1 Antecedents

The examination of antecedents reveals three conflict management ideas. Firstly, the relationship between the antecedent and the conflict is dynamic, not static.

Antecedents that stem from the family system, such as unfavourable parent-child relationships and intergenerational differences (Chrisman, Chua, Pearson, & Barnett, 2012; Kidwell, Eddleston, Cater, & Kellermanns, 2013), may alter in strength due to a family's life cycle. Secondly, these antecedents can be persistent. Furthermore, an individual antecedent may initiate conflict in one situation but act as a mediator in another. For example, conflicts related to family matters are more likely to arise when firm founders remain involved after succession, especially regarding issues of organizational vision, management, and control (Davis & Harveston, 1999). However, the founder bears a distinct responsibility to establish a common set of principles and promote unity within the family business prior to succession (Davis & Harveston, 1999).

Secondly, there are antecedents that appear to have high transferability, meaning that problems associated with them may spread to other systems or interfaces. For example, perceived injustice and unfair treatment can lead to family-related disputes at various interfaces. Parental unfairness, for instance, can result in sibling rivalry at the family-business interface (Alderson, 2015). However, the allocation of earnings and dividends (Botero et al., 2015) only affects the ownership system/interface and is less likely to cause spillover conflicts.

Recognising and addressing these highly transferable causes can significantly improve the effectiveness of conflict resolution from a conflict management perspective. However, regulating these drivers frequently entails striking a precise balance, as having too much or too little of these components can both lead to conflict. For example, conflicts within family companies can arise due to increased social engagement among family members or insufficient communication (Michael-Tsabari & Weiss, 2015; Davis & Harvey, 2001).

Additionally, a conflict's antecedent may be intentionally used to reduce the likelihood of another conflict arising.

Family involvement in the business is likely to increase task conflicts among family members. However, it can help decrease task conflicts among board of directors members because family members typically prefer to resolve their differences outside of large meetings (Zattoni et al., 2015).

### 2.2.2 Characteristics

Various types of disputes can arise within families.

One of the most discussed family-related conflicts in the literature is *conflicts of interest* that arise when individuals act in their own best interests (Martínez-Ferrero, Rodríguez-Ariza, & Bermejo-Sánchez, 2016). Disputes can arise between the founder/owner and management when the interests of a principal and an agent are not aligned (Meier & Schier, 2016; Zellweger & Kammerlander, 2015). Conflicts of interest may arise when majority and minority family shareholders have divergent priorities regarding growth and dividends (Meier & Schier, 2016).

These conflicting interests often reflect different priorities among family members and stakeholders.

Conflicts of interest may persist when family members aim to maintain the family's position in the company in the long run.

*Work-family conflict*, which arises at the family-business interface, is another significant kind of conflict. Family members face overlapping business and family roles when they are involved in the family business. These roles may result in misaligned expectations, leading to work-family conflicts based on roles or identities (Cooper et al., 2013; Knapp, Smith, Kreiner, Sundaramurthy, & Barton, 2013).

Family businesses will always have conflicts because they are long-term and family bonds are strong. One common type of family conflict is about relationships. This can cause frustration and dissatisfaction (Kellermanns & Eddleston, 2004). Family relationships make it more likely that conflicts will occur. Family relationships are long-lasting, so people may find it hard to resolve conflicts on their own. Sometimes, they may even work together to keep the conflict going because they don't want to lose each other (Kaye, 1991).

Beyond relationship conflicts, task conflicts and process conflicts are also prevalent in family businesses. Task conflicts arise from disagreements over the nature and purpose of tasks (Jehn, 2014), while process conflicts occur due to disputes about how tasks should be executed (Cosier & Harvey, 1998). As more family members and generations become involved in the business, these conflicts can emerge across multiple levels and intensify over time (Pieper, Smith, Kudlats, & Astrachan, 2015).

Although these conflicts may seem distinct, they are often empirically intertwined. As Pieper, Astrachan, and Manners (2013) noted, "family members seldom fight about what they say they are fighting about" (p. 492). For instance, a disagreement over tasks—such as “that’s not my job”—may actually indicate deeper relationship conflicts. As a result, family business scholars frequently categorize conflicts based on the individuals involved (e.g., incumbent-successor conflicts, father-daughter conflicts, principal-agent conflicts), which may obscure the variety of conflict types present within these interactions.

From a conflict management perspective, it is essential to understand not only who is involved in the conflict but also the nature and content of the disagreement. This helps identify the underlying causes of the conflict, which is critical for resolving it. Consequently, there remains a significant gap in the understanding of conflicts within family businesses, particularly regarding the dynamic interplay between different types of family-related conflicts.

## 2.3 Multiple Levels of Conflicts in the Family Business

Many family firms have limited infrastructure, which can cause conflict. It is important to identify the cause and manage it effectively. Conflict about a family business can arise in three areas: the business itself, the family involved, and external stakeholders. These groups can affect the organisation because they are close to the family owner-operator. But these conflicts can also affect people's health.

Figure 3 shows three levels of conflict in a family business. Level 1 conflict is when there is no communication between the three entities and the dispute does not affect anyone else. This event does not affect the entrepreneurial organisation because it is not a family issue. For example, if the entrepreneur's sister needed to attend summer school, it could cause problems.

This may not affect the company much, but it could cause tension in the family.

Level 2 conflict is when two people with similar interests disagree, making things more difficult. Different sources of conflict can make disagreements worse and harder to resolve. A sibling groomed for a leadership position in the family business may struggle to gain the respect of staff or key managers. Tensions can also arise if another sibling feels left out because they weren't chosen to take over the family business.

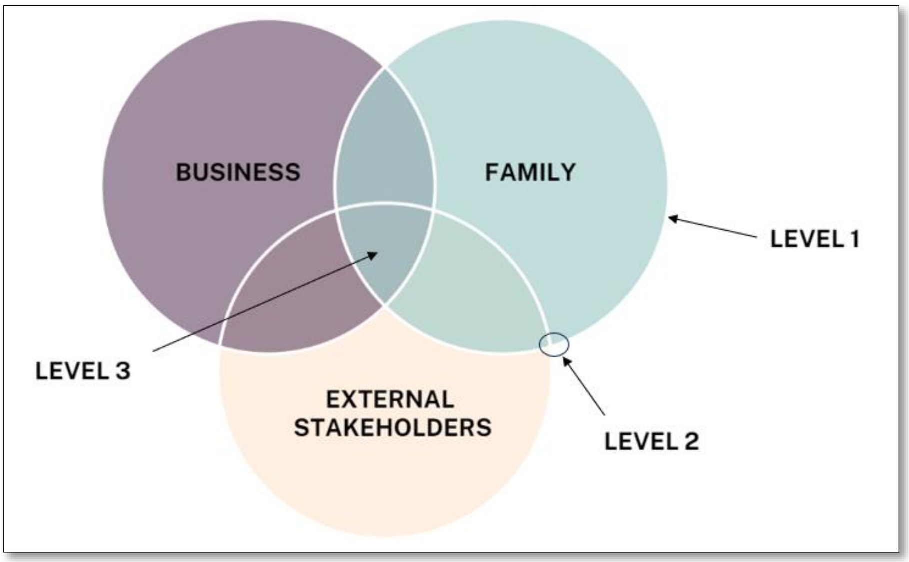



*Figure 3: Three Levels of individual and collective Conflict. Source: Harvey, M., & Evans, R. E. (1994).*

## 2.4 Major Conflict Events by Phase of Development

To effectively manage conflict in family businesses, it is crucial to establish a foundational framework and life cycle that can be used to predict periods of heightened conflict.

These periods of equilibrium, characterized by stable underlying structures that allow for only minor changes, alternate with periods of revolution, during which these underlying structures undergo significant changes as systems evolve (Gersick, 1991). If conflicts are not resolved, they can lead to dysfunctional and revolutionary changes in the family company, creating disequilibrium in organisations. A stage model could shed light on the many kinds of conflict that arise at each developmental stage, allowing families to anticipate crucial moments in their family enterprises.

The majority of literature on organisational evolution consists of stage models that propose a series of discrete, historically ordered stages. It is important to note that not all organisations go through every step and the duration of each stage may vary. Therefore, the stages of evolution can be viewed as a theoretical pattern. These models of organisational evolution are valuable because they can help predict future issues, such as conflict events the family should be bracing for within the organisation. There are numerous models of organisational life cycles found in the literature on entrepreneurship and family businesses (Greiner, 1972; Kimberly, 1980; Penrose, 1980; Danco, 1982; Churchill and Lewis, 1991).

Although life-cycle analysis has its limitations, conflict can be predicted by carefully examining the traits of an organization's developmental stages.

The theoretical life cycle of a family firm consists of six stages, as shown in Table 4.

| Stakeholder | Creative phase | Enteprising phase | Stabilization phase | Early growth phase | Sustained growth phase | Maturity phase |
|---|---|---|---|---|---|---|
| **BUSINESS** | Translating concept into a business<br>Timelines not met<br>Front-end money to go* | Fullfill governement regulations<br>Establish organizational infrastructure<br>Attracting employees, customers* | Keep key employees<br>Identify/understand cost<br>Increase efficiency and improve gross margin* | Ability to access market<br>Willing to take risk<br>Overcome cash crisis* | Ability to produce<br>Cash generation to sustain<br>Quality control* | Tie-in key employees<br>Share future reward<br>Benefits for key employees to ensure their future* |
| **FAMILY** | Support/encouragement<br>Use of family capital/income<br>Emotional stability to take risk* | Lack of time for family<br>"Free employee"<br>Reduction in standard of living* | Salaries for family/employees<br>Improved communication<br>Reality of the business as the future* | Siblings enter organization<br>Business/family conflict<br>Successfully dealing with success* | Succession planning<br>Midlife crisis<br>Maintaining business focus* | Founder plateauing<br>Not turning loose<br>Key personnel/family leave business* |
| **EXTERNAL** | Business design (structure)<br>Advise/consenting<br>Obtaining working capital credit* | Build external network<br>Supplier willingness/availability<br>"Hire" outside expertise* | Board of directors<br>Make or buy decision (supplies)<br>Renegotiation of loans and expansion money* | Professional management<br>New investors<br>Working capital to sustain growth* | Additional funding<br>Protection of the business<br>Professionalized staff* | Acquisition for extended growth<br>Merger<br>Nonfamily future generation* |

**Barriers**

**Resistance/Turbulence**

**Critical juncture*

*Figure 4: Major Conflict Events by Phase of Development. Source: Harvey, M., & Evans, R. E. (1994).*

Starting a new venture has several phases. The first step is to set up the business legally and start trading. The second phase is about making the new venture better and stronger. The third phase is the stabilisation phase. This allows for changes to the original plan as new businesses rarely go as planned. Finally, there is the early growth phase. This section looks at the challenges of growth and how management should adapt to the market. The sustained growth phase is when the family business keeps growing to meet demand.
In the plateau or maturity phase, demand stabilises. The focus then shifts to building a sustainable organisation and strategy. A life-cycle approach helps identify potential conflicts in a family business. This approach can't stop conflicts, but it helps to spot and deal with them. Conflicts can happen at any stage, but are often most disruptive during the phase in Table 4. It is also important to manage critical moments carefully to prevent conflict affecting the family, organisation or external stakeholders.

Understanding the potential for conflict at each stage is crucial. For instance, tensions within the family or with external stakeholders can aggravate business-related conflicts. It's essential to resolve these multi-level tensions simultaneously, as focusing on only one level of conflict may allow unresolved issues to resurface in the business. In family enterprises, conflict often stems from the interdependence of individuals within the group, making it important to either avoid conflict or adopt a resolution strategy that addresses all levels of active conflict.

To manage conflict effectively, families should anticipate the type of conflict based on group dynamics. By identifying potential conflict scenarios, the family business can either prevent disputes or be better prepared to handle them when they occur. Understanding the stage of development of the family business can also help predict conflict patterns, offering a tool to foresee issues that may arise between the business, family, and external stakeholders.

### 2.4.1 Creative/Definition Phase

During the defining and creative phases of a family business, time and capital concerns often become a common source of conflict. It is important to focus on determining the bounds of the business and sharpening the enterprise idea. The concept may be vague and poorly defined at this stage since the family may not have identified the crucial elements of the project. This period can feel prolonged as it remains a mere aspiration. If it gains too much momentum, it will require formalization into a business.

Aspiring business owners may struggle to turn their ideas into a viable company if they become too emotionally attached to them. During the conceptual stage of the business process, founder family members may find it difficult to adhere to schedules or remember important dates, causing conflicts in the system.

Capital is particularly crucial during the creative/definition phase of the family firm, even if it remains a source of contention.

Raising funding for an idea or proposal can be a challenging task for veterans. However, for an aspiring family business entrepreneur with little expertise, the challenge of finding funding can prove to be even more difficult.

Obtaining the necessary upfront funding to materialise the prototype can cause conflicts with family and other stakeholders. The combination of a completed idea and funding to advance the business to the next level is a significant turning point.

### 2.4.2 Enterprising Phase

The Enterprising Phase involves setting up the infrastructure for a new venture, which can lead to conflicts related to organizational structure, staffing, legal obligations, and building external networks with vendors, lenders, distributors, and others. These conflicts often arise due to a lack of trust in the new organization or concept by outsiders, which can put a strain on the already precarious state of the firm. To satisfy the bank, these conditions may include low loan restrictions on accounts receivable, longer terms for distributors, or upfront payment for raw materials.

Founding family members may attempt to take on too much of the 'build the business' task themselves in an effort to reduce costs. This can add to the already significant amount of time dedicated to the new venture. Usually, founding family members go above and beyond what is expected of them. Disputes may arise when professional advice is lacking on how to set up an accounting inventory system, file taxes and government permits, and hire and train new staff.

One of the main challenges is the willingness to delegate and employ competent individuals to meet deadlines. Conflict can arise when entrepreneurial family members are unaware of these circumstances. This can lead to multiple layers of conflict. Additionally, conflicts can arise due to a decline in the family's standard of living and lack of time. Careful planning and forecasting are essential to avoid conflicting issues that may arise within the business, family, and founding family members.

### 2.4.3 Stabilisation Stage

The stabilisation stage follows the entrepreneurial phase, during which conflicts are typically resolved. It can be compared to an airplane experiencing vibrations, noise, and doubt during takeoff. The enterprising phase is characterized by struggle and uncertainty. On the other hand, the stabilization phase is similar to the few minutes immediately after takeoff, when the plane is prepared for flight and its systems are adjusted.

This phase involves fine-tuning operations, such as retracting the landing gear, adjusting flaps and tabs, and managing the throttle to reach the desired cruising speed. To strengthen external networks and infrastructure, as well as to remedy any internal issues encountered during the initial growth phase, the family revisits key decisions. Conflict often emerges during the stabilization phase due to gaps in communication and information flow between the family, the business, and external stakeholders. At this point, managing family members focus on analyzing operations to enhance performance. The priorities are to generate revenue, improve efficiency, and cut costs. As the family prepares for future ventures, having the right personnel and infrastructure in place becomes critical. This may involve securing long-term agreements with suppliers, implementing noncompete clauses for key employees, renegotiating loan terms, and seeking additional growth capital. These pivotal moments often bring potential for conflict, especially if redefining the company's core values and strategy leads to disagreements across family, business, and external stakeholder levels, making the environment harder to manage.

As the business matures and begins to provide more tangible benefits to the owners and their families, internal family conflicts tend to decrease. Family members who previously contributed without compensation may now receive payment, schedules might become more flexible, and the family's standard of living may improve. However, if the business owner continues to operate without delegating responsibilities or fails to plan for future growth, tensions within the family are likely to surface. During the growth phase, there may not be enough time to implement key infrastructure, such as an MRP system, recruit essential staff, or update costing systems—tasks that should ideally have been addressed during the stabilization phase.

### 2.4.4 Early Growth Phase

During the early growth phase, meeting market demands can become a challenge. Conflict may arise within the company if a product or service is not tailored to the needs of its clients. Issues that hinder the organization's performance can become points of contention. These conflicts can affect any entity involved with the entrepreneurial organization during this phase, depending on their origin.

During this period, siblings may begin their own businesses, potentially causing tension within the family due to the stress of formal or direct interactions between the two groups. Disputes within the company may also arise due to the management of its performance. Additionally, midlife crises among original family members and doubts about the dedication of important staff to the company may further exacerbate these issues. Managing success may not be as difficult as managing failure, but it still presents challenges that can cause concern for the family, company, and external stakeholders.

### 2.4.5 Sustaining Growth Phase

During the sustaining growth phase, maintaining control and transferring authority and leadership may become crucial challenges. Regaining control can be a breaking point due to the rate of growth and any excesses that may have occurred during this time.

The implementation of these standards and processes may limit the flexibility previously enjoyed by siblings and employees. This revision to the operating procedures raises questions about the authority and accountability of those in charge of the company. The reorganisation of authority within the family business creates the potential for conflict.

It is common for controls to be unpopular in any organisation, particularly one that has recently experienced significant success.

### 2.4.6 Phase of Maturity/Plateau

During the Phase of Maturity/Plateau, conflicts may arise when attempting to gain the support of key stakeholders. In mature family businesses, concerns may arise regarding the potential loss of individuals who have contributed to the company's success. The initial excitement of expansion may fade, along with the allure of increased budgets, greater responsibility, better pay, and the acquisition of new products.

The response of the family founder to the business levelling out can take one of two forms. Firstly, they may experience a personal career plateau, during which they struggle to maintain sufficient dedication to the company and show little interest in the business. Unlike the midlife crisis, which reduces interest in continuing the work, the plateau is an issue of attention span.

Additionally, the founder is reluctant to relinquish control and allow for new perspectives, capable leadership, and even joint ownership to develop organically within the family business. When family members and other key management personnel remain in their positions for too long, they are often compelled to leave the company. This stage of the evolutionary process could deal a devastating blow to the family firm if these valuable assets are lost.

It's important to recognize that the business owner who initiated the new venture may encounter difficulties in managing the company as it matures. During this phase, resolving conflicts can become more challenging, as the initial excitement of exploring new opportunities fades and the chances of pursuing fresh projects or products diminish. The routine nature of a business in its plateau stage often poses difficulties for the entrepreneur, who may find themselves unprepared for the demands of a more stabilized operation.

## 2.5 Specific Examples of Conflicts

Conflict has both positive and negative aspects, and it can take various forms (Jehn, 1994, 1995; Kellermanns and Eddleston, 2004; Ward, 1987). Companies, particularly family enterprises, must strike a delicate balance between having too much or too little conflict (Pelled et al., 1999; Simons et al., 1999). Task conflict is associated with objectives, approaches, and the exchange of alternative approaches. Process conflict refers to disagreements about how work should be completed, how staff should be utilised, and who should be assigned what level of responsibility (Jehn, 1997). It has been suggested that better decisions are made in an organisation when these two types of conflict coexist in moderation (Eisenhardt et al., 1997; Jehn, 1994, 1995; Kellermanns and Eddleston, 2004; Simons et al., 1999).

According to Hilburt-Davis and Dyer (2003), conflict often arises through communication and behavioural issues. Scholars suggest categorising commercial disputes into two groups: basic and sophisticated. Simple disputes are usually resolved quickly and do not hinder wise decision-making, which is typically guided by rationality and common sense. Conversely, emotionally charged complex disagreements often result in reduced productivity and difficulty making judgements. Organisational conflict can often be chronic and recur within an organisation. The use of external resources, such as organisational development specialists, family counsellors, and therapists, can provide a solution to complex conflicts (Hilburt-Davis and Dyer, 2003).

Relationship conflict is considered the most harmful type of conflict. Unfortunately, family businesses are often the setting for this damaging conflict (Hilburt-Davis and Dyer, 2003; Kellermanns and Eddleston, 2004; Ward, 1987). This type of conflict is characterized by

anger, resentment, and worry (Eddleston et al., 2008), which can result in a complete lack of productivity (Grote, 2003; Hilburt-Davis and Dyer, 2003).
Disruptive conflict can lead to poor or nonexistent decision-making (Levinson, 1971). Irrational thinking can proliferate and lead to decisions based on feelings rather than logic (Kets de Vries, 1993).
According to Kellermanns and Eddleston (2004), dissident family members often exhibit a lack of acceptance or buy-in when a decision is made. Grote (2003, p. 123) suggests that internal family competition results in the loss of business.

### 2.5.1 Generational Conflict

Family enterprises often prioritize maintaining harmony and unity within the family over constructive discourse, leading to the suppression of differences of opinion. Disagreeing with parents can be challenging for sons and daughters, as it may be interpreted as being unfaithful or disruptive (McCann, 2007). This closed communication style can prevent productive dialogue, waste commercial opportunities, or skip the strategic planning process. It can lead to reduced market share, a lack of investment in new and emerging business areas, an inability to recognize competitive threats, and stagnant products (Ward, 1987).
Sibling disputes are a common source of friction in family businesses. According to Alderson's (2009) study, there is often significant disagreement among siblings, but not between second-generation family members and their parents. Family members who are at odds with their parents tend to exclude themselves from the family business. Family members are often called upon to return to the family business when a parent becomes ill.
Most first-generation enterprises have a centralised decision-making process, which is emphasised by their significant reliance on a single entrepreneurial founder (Dyer, 1986, 1988; Feltham et al., 2005). Aronoff et al. (1996) found that 34% of family business founders made decisions alone, 48% sought agreement, and 6% discussed and voted. According to Aronoff et al. (1996), family enterprises often have a cousin consortium as their third-generation family leadership, which holds 53% of the voting group. To improve the situation, more professionalism and governance are needed.

Founder centrality or generational shadow is a common issue among subsequent generations in a corporation, where the persistent influence of the founder dominates the entire organisation. Kelly et al. (2000, p. 27) and Davis and Harveston (1999, p. 311) have identified this phenomenon. The impact of both positive and negative variables should be considered. Subsequent generations benefit from upholding the founding father's original objectives or vision for the company, which includes prioritising the well-being of long-term staff members, the community, and clients.

Negative influence can arise when a founder who has not fully retired interferes with the decisions made by the succeeding generations or constantly questions them. This phenomenon is referred to as 'sticky baton syndrome' (PWC, 2014, para. 9), in which the leader passes on leadership in name but retains it in practice. Stavrou (1999) identified this detrimental influence as one of the main causes of subsequent generational members leaving the family business.

According to a survey conducted by PricewaterhouseCoopers (2007/2008), disagreements regarding the company's future strategy are the most divisive topics, with a full third of respondents reporting this issue.

These weighty matters have the potential to cause great division and impact the efficiency and efficacy of the family business.

### 2.5.2 Succession

Succession of leadership from one generation to the next is a crucial issue for family company practitioners. Research consistently shows that only about 30% of family businesses are passed down to the second generation, with only 10% to 15% being passed down to the third generation (Poza, 2009; Ward, 1987). A mere 4% are able to remain in the same family for the fourth generation (Poza, 2009).

As the family business usually represents the majority of their wealth and provides limited opportunities for diversification, the consequences of its failure can be catastrophic for the entire family. Bankruptcy can also lead to a considerable loss of social status for the family. A survey by Dascher and Jens (1999) found that 77% of family firms that declared bankruptcy did so after the founder’s passing. The lack of a clear succession plan is often a greater factor in the failure of small family businesses than financial challenges or strong market competition.

Numerous scholars studying family businesses agree that inadequate planning and ineffective decision-making are major contributors to unsuccessful successions (Shepherd and Zacharakis, 2000; Ward, 1987). Issues such as inadequate planning, poor communication, bad decision making, and interpersonal familial conflict among family members slow down decision making and compromise corporate effectiveness.

A research conducted by the accounting firm KPMG found that 36% of the assessed organizations had a plan for the firm's continued existence. More than half lacked a procedure for replacing the CEO, and over a third lacked a procedure for selecting and onboarding a successor. Additionally, 60% of those surveyed claimed to have experienced family strife within the past year.

The investigation revealed the significant challenges that family-run companies face in balancing the demands of the family and the company (KPMG and Family Business Australia, 2013, Family Business Survey).

### 2.5.3 Compensation and Owner Benefits

The diverse positions of family members within the company can be a significant source of conflict.

To prevent confusion, it's essential to distinguish between payroll and dividends as forms of compensation for family members working in the business. In family firms, individuals may take on multiple roles, such as owner, manager, or employee, while others may only serve in one capacity. For instance, if a company needs to make substantial investments in new technology to stay competitive, both management and staff may acknowledge the importance of the expenditure and perceive it as beneficial for the business's long-term success.

In contrast, a family member who did not work for the company but only earned dividends would not have fully understood the significance of the investment and might have voted against it, as it would reduce their ownership income. Non-employed owners still have voting rights as they own a portion of the company.

For businesses run by owners, non-employed shareholders pose a challenge because their objectives are diametrically opposed. Communication is essential for all parties involved in the company. To avoid compensation difficulties, pay ranges for different jobs in the company should be determined by benchmarking existing rates in the marketplace. This ensures fair compensation.

### 2.5.4 Estate Planning

An owner's decision to divide the family business evenly among all offspring may have unintended consequences for estate planning in the second or third generation. For example, if an owner has two children who each receive 50% of the business, by the third generation, one sibling will possess 50% of the company and have significant power if the other sibling has four children and the first sibling has just one. Each of the remaining four individuals will hold only 12.5% of the total.

To maintain a balance of power, the four siblings must always work together.

A system in which some family branches own more than others can lead to major strife. The originator had good intentions and aimed to treat everyone fairly, but did not anticipate this scenario.

### 2.5.5 Destructive Entitlement

When families own businesses together, perceived injustices from earlier in life can have disastrous effects later on. Destructive entitlement is the idea that the offended parties may organise to 'punish' others for what they consider to be injustice.

One branch of the family taking offence at the actions of another might result in a situation like this continuing for generations and fueling ongoing strife. Any attempt at compromise or repair can be viewed as betrayal. Past victims of harsh treatment may feel entitled to behave badly towards others and disregard them.

The pattern of hurt, offence, and retribution can become ingrained in a culture after being repeated over several generations. If left unchecked, this resentment can lead to emotional shutdown. Rhodes and Lansky (2013) suggest that in some cases, the parties involved may agree not to speak to each other again in order to prevent further hurt.

However, this approach does not resolve the core issue and may allow the cycle of hurt and resentment to persist across generations. Given the potential damage such dynamics can cause, it’s crucial to address them early with the guidance of professionals who can help the parties rebuild communication and trust. A key step in healing and rectifying past grievances is ensuring that all individuals remain aligned with the company's original mission and vision, fostering unity and a shared sense of purpose.

### 2.5.6 Gender Conflict

In many regions, including Europe, the Middle East, and South America, the primogeniture law has traditionally dictated that the eldest male inherits the family estate.

This has resulted in competent female employees leaving their family businesses to pursue opportunities elsewhere. However, in recent years, there has been a shift towards more women taking the lead in their family enterprises and being named as successors. In 1994, only 2% of CEOs were women. However, by 2005, the percentage of female CEOs in family businesses had increased to 9.5% (Vera and Dean, 2005).

There are fewer disputes between women and their fathers, which are typically characterised by less rivalry. However, when the father is in his forties and fifties and the son is in his twenties and thirties, male heirs have greater issues with their fathers.

Nevertheless, as they become older, their working relationship improves and there is less competition. Understanding the various stages of a family member's life cycle can be beneficial. This is one of the main reasons why prospective successors are advised to work outside the family business before joining. Doing so reduces conflict and promotes greater respect for the younger generation. When individuals with diverse backgrounds, experiences, and knowledge join the company, it can be advantageous.

### 2.5.7 Other Conflicts

The topic of *in-laws* can be a potential source of stress for family businesses. Integrating an in-law into the company requires a structural adjustment, similar to when a non-family member becomes an owner. For example, there are concerns about hiring in-laws in the event of a divorce.

Should in-laws be eligible to serve as chief executive officers? Will they remain impartial when dealing with the rest of the family? These are the kinds of questions that are well-suited for discussion within a family council. There are potential benefits for both sides. The business could gain from the fresh perspectives and expertise brought by the in-law, while the in-law might experience a deeper connection to the family and a stronger sense of belonging. This aligns with findings by Whiteside et al. (2011).

In family businesses, triangulation is a common dynamic where two competing family members involve a third party to gain support. For instance, if a brother and sister disagree, they may both seek backing from their mother to bolster their arguments. Although this may temporarily ease tensions, prolonged involvement of a third party often exacerbates the conflict by expanding it beyond the original two individuals. Rhodes and Lansky (2013) suggest that, in such cases, the triangulated person should encourage the family members to address each other directly, avoiding personal involvement.

One of the biggest challenges for family businesses is poor communication, often stemming from the informal nature of family interactions. Prioritizing effective communication as a core skill can significantly benefit a family-owned company. It's crucial for all family members, across generations, to communicate openly and effectively. Strong communication is vital for the longevity and success of family enterprises, as evidenced by studies of long-lasting family businesses, which cite communication as a key factor (Ward, 2004). Without clear and open dialogue, it becomes increasingly unlikely that the business will thrive into the next generation.

## 2.6 Multiple Conflicts Resolution Processes

Family businesses are known for experiencing pivotal moments that can put the organization, as well as the family and external constituents it interacts with, in jeopardy during times of intense conflict (Prigogine and Stengers, 1984; Gould, 1989).

The process of settling conflict involves a three-step approach that requires altering people's views, drives, and behaviours within the entrepreneurial organisation. If the disagreement also affects the family or other external stakeholders, changes must be made outside the organisation as well (refer to Figure 5). The ability of the family to directly communicate desired changes to key personnel, their lack of infrastructure to slow down the pace of change, their willingness to make changes in exchange for rewards from the family, the absence of opposition leadership or coalitions opposing the family's desired changes, and the sheer scale of many family ventures all contribute to the possibility that this process will move along quickly.

To successfully manage conflict resolution and minimize any potential negative effects of change in family organizations, it is necessary to examine the following procedures:

- raising consciousness involves increasing one's knowledge about oneself and the problem(s) being faced by the organisation.
- self-education involves having key stakeholders and the organisation assess their thoughts and feelings about the conflict and determine the potential negative consequences of prolonged conflict.
- self-liberation requires developing belief in their own and the organization's ability to change, and a commitment to act to resolve conflict, stress, and tension.
- counterconditioning involves identifying alternatives to those who create or prolong the conflict and promoting alternatives to continued conflict.
- stimulus control involves avoiding or countering stimuli that elicit conflict within the organization or between the organization and other interacting groups.
- reinforcement involves rewarding individuals and the organization for making changes to lessen or resolve conflict.
- continuing assistance relationships involve offering organizational and personal support to individuals after the change and to the organization as a whole.
- dramatic relief, which involves encouraging and supporting individuals in the entrepreneurial organisation who had to make a change.
- environmental revaluation, which involves reassessing how the implemented change may inordinately cause conflict to erupt within the organisation or with other constituents.
- social liberation, which involves encouraging discussion about the change and the positive organisational and individual consequences of reducing conflict.

The degree of conflict being experienced, or the number of entities engaged, determines how the conflict is resolved within the family organisation. The method for resolving conflicts gets more intricate the more complex the conflict. According to the degree of conflict the entrepreneurial organisation is facing, Table 6, in next paragraph, outlines important components of conflict resolution.

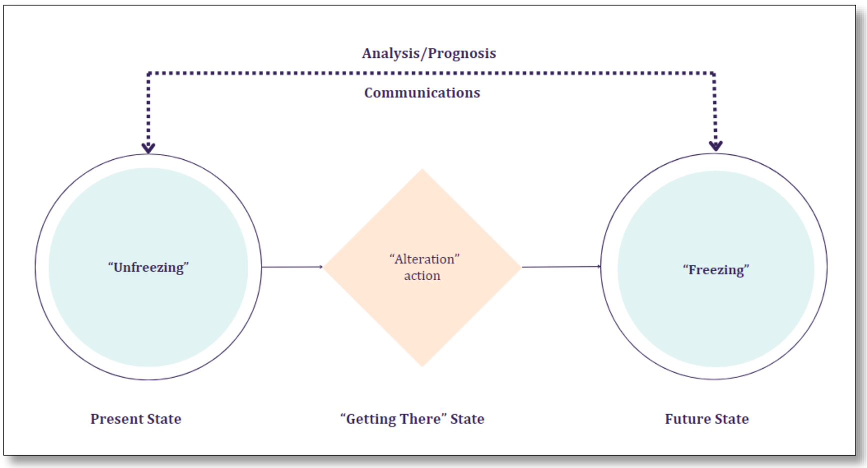



*Figure 5: States of Change. Source: Harvey, M., & Evans, R. E. (1994).*

## 2.6.1 Level 1 Conflict

To address conflicts within an organisation, a conflict resolution method should rely on the interpersonal skills of the family members involved. The change process should focus on modifying how people interact with each other or how the firm's policies are implemented, rather than making paradigm-shifting changes. It is important for the entrepreneur to take a hands-on role in the change process, as the initiative for change should come from within. After making the adjustment, post-conflict resolution monitoring is often unnecessary.

| ASPECT OF CONFLICT RESOLUTION | LEVEL 1 CONFLICT | LEVEL 2 CONFLICT | LEVEL 3 CONFLICT |
|---|---|---|---|
| Focus | Individuals | Two groups | Total system |
| Nature of change to resolve conflict | Transactional | Transactional | Structural/"essence" |
| Nature of interation to resolve conflict | Interpersonal | Conflict team(s) | External consultant/conflict team(s) |
| Impetus to resolve conflict | Internal | Internal | External |
| Role of entrepreneur | Direct | Team member | Consultation |
| Level of monitor resolution | None | Yes, cross sectional | Yes, longitudinal |

*Figure 6: Conflict Resolution and Level of Conflict. Source: Harvey, M., & Evans, R. E. (1994).*

In cases of Level 1 conflict within a family business, the dominant family member or leader often enforces their 'elite dominance' when making decisions, using their high level of power (Kabanoff, 1991). The most powerful family member is typically experienced in this role. The conflict within the business unit can prevent the family decision-maker from experiencing role conflict or, at the very least, some degree of role ambiguity when making decisions. As the family business progresses through different stages of the corporate life cycle, the level of confidence increases. At critical points in the company's development, the lead family member's confidence enables them to make more challenging business decisions. The organization can move to the next stage of development by consolidating the leader's power position, even though there may be resistance and instability surrounding these decisions.

### 2.6.2 Level 2 Conflict

Level 2 conflicts arise from reciprocal conflict between two structured entities, a business and a family, making conflict resolution more challenging. The change mechanism needs to concentrate on changing both organizational units' states. Although changes are typically transactional in nature, addressing underlying core concerns may be necessary. Although the founding family member may be a member of the dispute resolution team, their involvement could be perceived as a conflict. It will be important to check in the future that both organisations have implemented measures to reduce conflict. Additionally, organisational monitoring of the conflict level is necessary to support the primary family decision maker. To ensure resolution of the Level 2 conflict, it is recommended to conduct a conflict audit, even if it is a rare occurrence.

### 2.6.3 Level 3 Conflict

The most complex level of conflict involves three organisations engaged in conflict simultaneously. Therefore, the main objective of the change must be system-wide. This requires an examination of the factors that led to or caused the conflict between the three parties. It is important to determine the role played by each organisational unit in the dispute. Typically, in order to resolve this type of conflict, one or more of the organisations' fundamental structures must be altered (Beckhard and Pritchard, 1992). Due to the complex nature of this interactive conflict, conflict teams may require the

assistance of external consultants or specialists to implement necessary adjustments that will reduce conflict among all three organisations.
The entrepreneur should only act in consultation with the outside expert and the conflict resolution team, as the motivation to end the disagreement originates from outside all three organisations. Long-term observation is necessary to implement such a degree of change and to monitor any subsequent changes or lack thereof. Participants should be aware that any modifications made to the core of one or more organizations will be under continuous observation.

## 2.7 Corporate Governance Tools unique to Family Businesses

The tools and procedures of corporate governance that are unique to family businesses are among the primary differences between family-owned and non-family-owned businesses. These instruments can serve a special purpose in family businesses by improving communication and reducing tension.

### 2.7.1 Family Meetings

The primary tool for governance in family businesses is often family meetings. These gatherings tend to be informal, irregular, and typically without a structured agenda. Sometimes, they may simply take the form of a family meal where business matters are discussed, and plans for the future are made. These meetings can be held on a regular basis or convened as needed, with the primary goal of fostering improved communication among family members. Participation is generally restricted to family members who are actively involved in the company.

### 2.7.2 Family Council

Family business advisors often recommend establishing a family council to enhance communication and decision-making efficiency (Bianchi and Alderson, 2012). The family council consists of family members who are stakeholders in the firm, both inside and outside the family business, including spouses and in-laws. Its role is to advise the board of directors on policies and procedures, with a focus on meeting the needs of the business's family members. This is a platform for family members to express their opinions, address concerns, and establish rules and guidelines that will benefit both the family and the company's management.

Councils address a range of topics, such as family employee recruitment and termination practices, equitable family remuneration guidelines, reporting practices, and family member buyout rules. The use of instruments like the family council is believed to improve communication within the family business and formalise the firm's governance, which can reduce conflict. Corporate governance tools, such as the family constitution (see below) and the family council, can effectively facilitate communication and prevent and reduce conflicts.

When a family business hires a professional family business consultant, establishing a family council is often recommended.

However, studies show that only a small percentage of family-run companies actually have a council. For example, in a study of 73 Italian family businesses, only 10% of the boards of directors had a functional family council (Corbetta and Tomaselli, 1996). Mustakallio et al. (2002) conducted a study on 192 family businesses in Finland belonging to the first, second, and third generations. The study found that 75.4% of these businesses held informal family meetings, 26.7% held formal family meetings, 17.3% had family plans, and only 7.3% had family councils.

### 2.7.3 Family Constitution

The creation of a corporate constitution is a crucial governance instrument for avoiding and settling conflicts. It is a living document that can be revised and modified. The constitution's importance lies in its ability to prevent and resolve disputes by establishing corporate policies ahead of time, before emotions run high. Discussing the hiring of a family member can be a delicate matter that may result in conflict. Biases may exist in the workplace, which could be influenced by the family member's affiliation.

One benefit of having a constitution is that it records decisions that have already been made.

Constitutions cover a wide range of topics, including policies on reporting structures, compensation rates, family employment and termination rules, business valuation in the event of a sale to other family members, support for employed family members with substance abuse problems, and share ownership restrictions.
Drafting a constitution can be a lengthy process, taking months or even years due to its size.
During family gatherings and retreats, one of the primary responsibilities of a family council is to draft the constitution.

### 2.7.4 Family Retreat

Retreats are commonly used by prosperous family businesses and larger multigenerational families. They can range from a weekend get-away to a weeklong vacation where all family members come together socially and interact with distant family members. The retreats include a mix of leisure time, enjoyable events, group activities, and business meetings to help non-working family members become more interested and informed about the business. Family business consultants often organise meals, participate in and lead business meetings, and sponsor events to engage the family and promote greater awareness of generational differences.

### 2.7.5 Board of Directors

Family businesses that offer shares to the general public are legally required to establish a board of directors. The CEO may be appointed or removed by the board of directors. If the board members are outsiders with specialized experience in various fields, it represents a strong example of corporate governance.
Due to their private ownership, most family businesses may have a board of advisors instead of a board of directors.
The function of a board of advisers is to offer advice, which the CEO may choose to accept or reject, but its members do not have the official authority to make decisions. It is recommended that family businesses utilise this technology to obtain external advice from successful business owners and other professionals, which will enhance professionalism and improve decision-making.

According to the 2013 Family Business Survey conducted by KPMG and Family Business Australia, businesses with formal advisory boards achieved greater success and were more likely to achieve their family goals.

### 2.7.6 Generational Meetings

Cohort meetings are a popular service offered by professional family business advisors and university-based family business centres. These meetings are particularly useful when first, second, and third generations work together or share ownership in an organisation. Miscommunication and misunderstandings can arise due to divergent objectives and approaches. Distinct cohort groups allow for the exchange of ideas, particularly regarding intergenerational irritations.

The participants can exchange ideas without concern of offending older generations. Following notetaking, a consultant or meeting facilitator convenes a meeting with representatives from all generations to discuss the information while maintaining the anonymity of the person who raised the concern. The facilitator then leads a conversation to improve communication and mutual understanding among family members. This often takes place at a family retreat. This is an effective way to initiate a discussion about sensitive topics such as succession planning, estate planning, and the retirement of the patriarch.

## 2.8 Other Conflict Management Techniques

To provide a broader view of how conflicts can be resolved within a family business, other conflict management techniques are listed below.

### 2.8.1 Pruning the Family Tree

Conflicts within a large, dispersed family can arise due to differing goals.

One strategy that businesses have successfully employed to resolve unsolvable or persistent family disputes is pruning, which involves cutting off a branch of the family tree. This can be achieved by purchasing the branch of the family business. It is important to note that pruning should be considered as a last resort and that it may have significant financial and emotional consequences for all parties involved. Family members who are dissatisfied with the firm's direction or management may accept a buyout offer from other family members. The family members can now exit the company and receive compensation for their investment.

### 2.8.2 Role of the Spouse

In family companies, the spouse plays a significant role. They often serve as a unifying factor and mediator in disputes among family members. While family businesses are traditionally male-dominated, the increasing involvement of women means that the spouse may now be a man (MassMutual, Kennesaw State University, and Family Firm Institute, 2007). As Poza (2009) notes, the female spouse is often referred to as the Chief Emotional Officer (CEO). Throughout generations, women have provided care, affection and mediation to resolve family conflicts, ensuring the unity of the family.

### 2.8.3 Participative Decision Making

In first-generation family businesses, the initial owner usually makes most of the decisions (Feltham et al., 2005). In the second generation, which may consist of two, three, or even six siblings, decision-making is typically approached through participatory and consultative methods (Alderson, 2009). The third generation usually comprises a large group of relatives who support democracy and primarily use a majority vote to make decisions.

In multiple-generation organisations, participatory decision making can enhance the quantity of positively associated cognitive conflict; however, this was not the case in first- and second-generation enterprises (Eddleston et al., 2008). Eisenhardt et al. (1997) shown that while conflict resolution was linked to quick decision making, conflict itself tended to slow down the decision-making process.

### 2.8.4 Use of Consultants

In situations where conflict levels are high enough to jeopardise the smooth operation of the business, it may be necessary to seek the advice of expert consultants who specialise in family businesses. General family business consultants, who are made up of teams of specialised professionals, can be relied upon to handle specific circumstances. A family

business consultant may collaborate with a psychologist or a marriage and family therapist to resolve dysfunctional interpersonal conflicts.
Family enterprises can sometimes become so toxic that they are unhelpful for both family business advisors and therapists. This can happen when parents fail to grow and children experience anxiety as they try to both please and distance themselves from their parents (Kaye, 2004, p. 347). The advisors may recommend that the children pursue alternative career paths instead of working together in the family business, as it may be considered unhealthy (Kaye, 2004, p. 347).
Family businesses often prefer to keep their operations within the family and may be hesitant to involve outsiders. However, they may seek the assistance of consultants in cases of disagreement or when planning for succession.

### 2.8.5 Restructuring the Organization

One way to resolve unwinnable conflict is to restructure the organisation to allow family members to avoid interacting with those they are at odds with. This may result in the corporation splitting into two distinct sections or, in the worst-case scenario, two independent businesses that do business with each other.

## 2.9 Conclusion

The chapter took an in-depth look at conflict management in family businesses, emphasising the importance of addressing internal dynamics to ensure the sustainability and growth of the business. It explored the different antecedents and characteristics of family conflict, highlighting how factors such as family history, personal relationships and unspoken expectations can contribute to conflict situations.
The chapter also described the different levels of conflict and stages of development of a family business, showing how conflict can manifest itself in different ways depending on the stage the business is at. Situations such as generational conflict and succession issues were identified as particularly critical, requiring special attention from family members and managers.
The conflict resolution strategies discussed highlighted the need for a structured approach that may include governance tools unique to family businesses, such as family

councils and family retreats. These tools not only facilitate open communication, but also promote a sense of ownership and responsibility among family members.

Finally, the chapter highlighted how the implementation of conflict management techniques, such as participatory decision-making and the use of external advisors, can significantly improve the resilience of the family business and help turn conflict into opportunities for growth and innovation. In an ever-changing environment, effective conflict management is proving crucial to ensuring a prosperous future for family businesses.

# 3 The Concept of Harmony in the Context of Family Business Management

## 3.1 Introduction

What is the correct interpretation of harmony? To begin, musical harmony may be employed as an effective metaphor for comprehending social harmony. A symphonic piece, for example, is said to be harmonic when its elements are well-aligned to create a balanced whole that produces a pleasing sound to the ears and mind.

In general, harmony refers to a state of alignment, balance, and order. Harmony is not a static or final state. It is a state of constant change, adaptation, and alignment among its constituent elements, while maintaining a balance and order.

In other words, there is a dynamic equilibrium among components as well as between parts and the total in a harmonious state. Disharmony is defined as the loss of the dynamic equilibrium that characterises a harmonious state.

Consequently, social harmony is defined normatively as a social state that exhibits balance, alignment, mutual support, and flourishing.

The state is characterised by the absence of conflicts, tensions and discord. The concept of social harmony is not absolute, but rather exists on a spectrum of varying degrees. The level of harmony within a society may fluctuate over time, contingent upon the relative prevalence of its various harmony elements at different points in time.

A well-aligned society is one in which the various elements that comprise it, including interests, needs, connections, activities and processes, regulations, and values, are all aligned in such a way that they collectively contribute to the achievement of a single goal. In a mutually supportive and healthy community, individuals encourage one another and reciprocate with help, goodwill, and trust in order to promote growth and prosperity.

A harmonious society would provide its residents with a consistent sense of safety, security, and freedom, which would result in positive emotions and other beneficial outcomes.

The creation of an environment of mutual respect, trust, and sharing, as well as reciprocal helpfulness and beneficial cooperation, would serve to strengthen the relationships between residents. The residents would be expected to adopt the requisite attitudes and values to establish and maintain mutually beneficial collaboration and interactions. Empathy, tolerance, public-spiritedness, reciprocity, sense of fairness, moral awareness, rationality, considerateness, sharing, and caring are some of the attitudes and virtues that have been identified.

The concept of harmony can be directly applied to the enterprise dimension, since the company is composed of people and their relations exert influence on financial and economic results. Consequently, it is necessary to investigate the importance of harmony and other non-economic goals for a company.

This chapter will examine this dimension in depth.

## 3.2 Economic and non-economic Goals

A multitude of studies have demonstrated that the intertwining of family and business interests has a profound impact on governance in general and on the formulation of goals in particular. The research indicates that family firms are typically motivated by and committed to the preservation of their family-centred non-economic goals, which refer to non-financial aspects or "affective endowments" of family owners (Berrone et al., 2012, p. 259). Research has demonstrated that pursuing non-economic aims can have both beneficial and detrimental consequences for the company (Kellermans et al., 2012; Zahra et al., 2004; Zahra et al., 2008; McKee et al., 2014).

In addition to economic objectives, family businesses prioritize family-centred non-economic goals and family goals (Chisman et al., 2012; Gagne et al., 2014; Poza, 2007; Randolph et al., 2019). Consequently, family businesses can be conceptualised as goal systems, which are defined as a mental representation of objectives, means, and their interdependence (Kruglanski et al., 2015; Unsworth et al., 2014). The literature indicates that this goal system can result in the emergence of conflicting goals, which are referred to as counterfinal goals. These include situations where one goal is pursued at the expense of others or where certain goals are prioritised at the expense of others that are perceived as less important (Randolph et al., 2019).

A review of the literature reveals that family firms tend to prioritize non-economic goals such as relational, emotional, and affective dynamics (Astrachan and Jaskiewicz, 2008; Basco and Perez-Rodriguez, 2009; Chua et al., 1999; Gomez-Mejia et al., 2011; Martinez-

Romero and Rojo Ramırez, 2016). The extant literature suggests that non-economic goals related to the family side of a family business should be considered. These include: (1) control and influence of family members (Berrone et al., 2010), (2) close identification of the founder (and the family) with the firm (Dyer and Whetten, 2006), and (3) the intention to hand over the business (Zellweger and Astrachan, 2008; Kellermanns et al., 2012).

The extant literature does not provide evidence regarding the extent to which the objectives of the entrepreneurial family as a whole are altered or influenced by non-economic goals. The following chapter will present a brief study on the influence of harmony on economic results, with a particular focus on technological progress.

A number of studies have identified two structural dimensions along which business families have ambitions (Aunola and Nurmi, 2005; Fiese, 2018; Olson, 2000; Scabini and Iafrate, 2003; Scabini, 2016).

In the work of Beavers (1982), the first dimension of care is defined as a focus on maintaining harmony among members, achieving detachment from previous generations, and ensuring appropriate physical and psychological distances between members, generations, and the environment. The second dimension of care is concerned with ethical and responsibility goals, including role flexibility and the capacity to adapt to the environment (Finley et al., 2008). It also encompasses the realisation of a generative connection between maternal affective instances (continuity, memory, care) and paternal ethical instances (material goods, order, justice) (Fiese, 2018), as well as intergenerational differentiation (Olson, 2000).

Finally, parents must prepare for their children's departure from the family home and recreate themselves in their relationship as a couple once their children have left (Scabini, 1995).

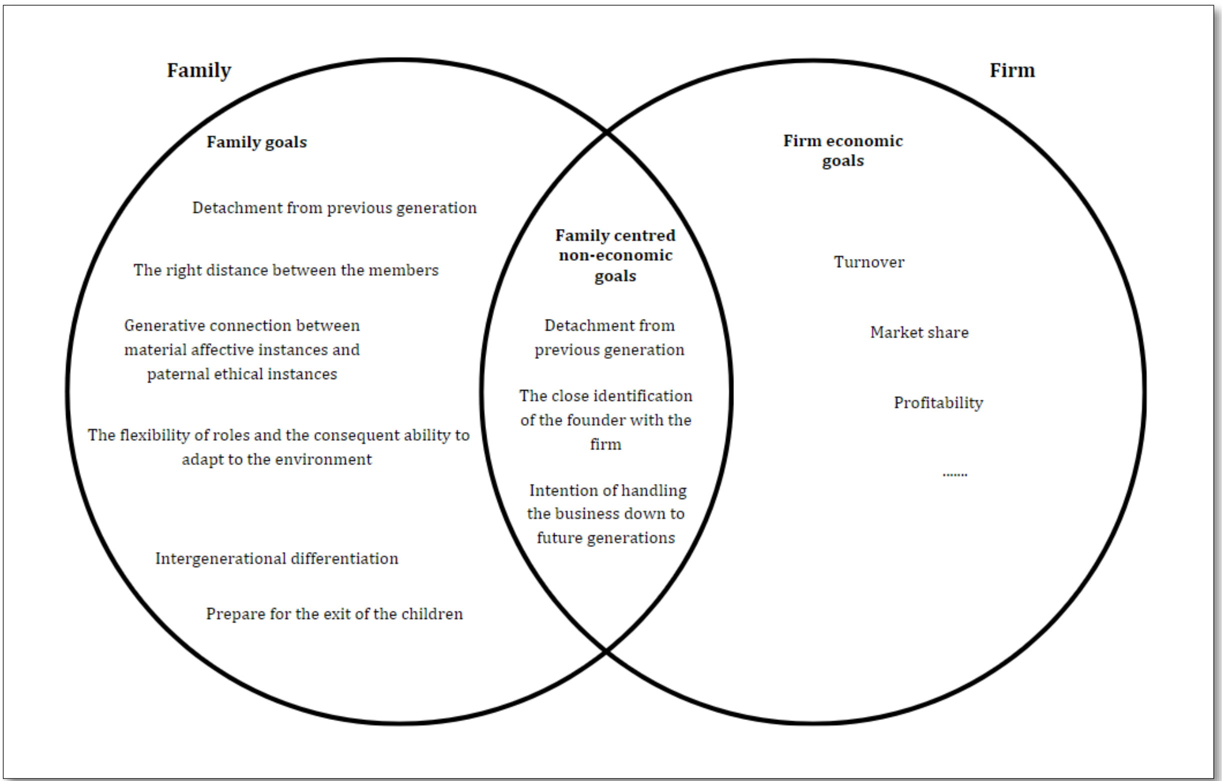



*Figure 7: Goal Systems in a Family Firm. Source: Ferrari, F. (2023).*

Some negative effects are not immediately apparent but emerge over time during the business and family cycle (Kaye, 1996; Kets de Vries, 2007; Jennings et al., 2013). At the family level, Proulx et al. (2007) identified a long-term positive relationship between relational quality and personal well-being. The most challenging aspect for a company family is to develop and sustain a healthy equilibrium between ethical and affective demands over time (Fiese, 2018).

Research indicates that families often find it challenging to balance these dimensions, which can result in the emergence of dysfunctional behaviour patterns (Beavers, 1982; Davis and Herrera, 1998; Proulx et al., 2007). Such behaviours may emerge over time, often after years of silent coexistence (Kaye, 1996). Behavioural patterns can impede the legitimacy and differentiation of future generations (Ferrari, 2019a, b; DeMassis et al., 2008; Kaye, 1992; Kets de Vries, 2007; Lansberg and Astrachan, 1994), which can result in the enmeshed family (Olson, 2000).

However, the existing literature on the causes and long-term consequences of firm goal conflict remains inconclusive (Jenning et al., 2013; Zachary, 2011), and does not provide a clear explanation of the role of firm ownership in activating and maintaining these long-

term negative relational dynamics. A longitudinal investigation is thus required to expose the deep origins of dysfunctional practices, as suggested by recent literature on the psychological foundations of management in family businesses (De Massis and Foss, 2018; Picone et al., 2021).
The following paragraph will present a case study of a small family firm. The objective is to ascertain the extent to which harmony can influence the success of the firm, in particular in the context of technological progress. In order to achieve this objective, the selection criteria and the data gathering processes will be presented. The firm will also be described in brief, with particular attention paid to its history and evolution over time. Finally, the results and findings will be presented.

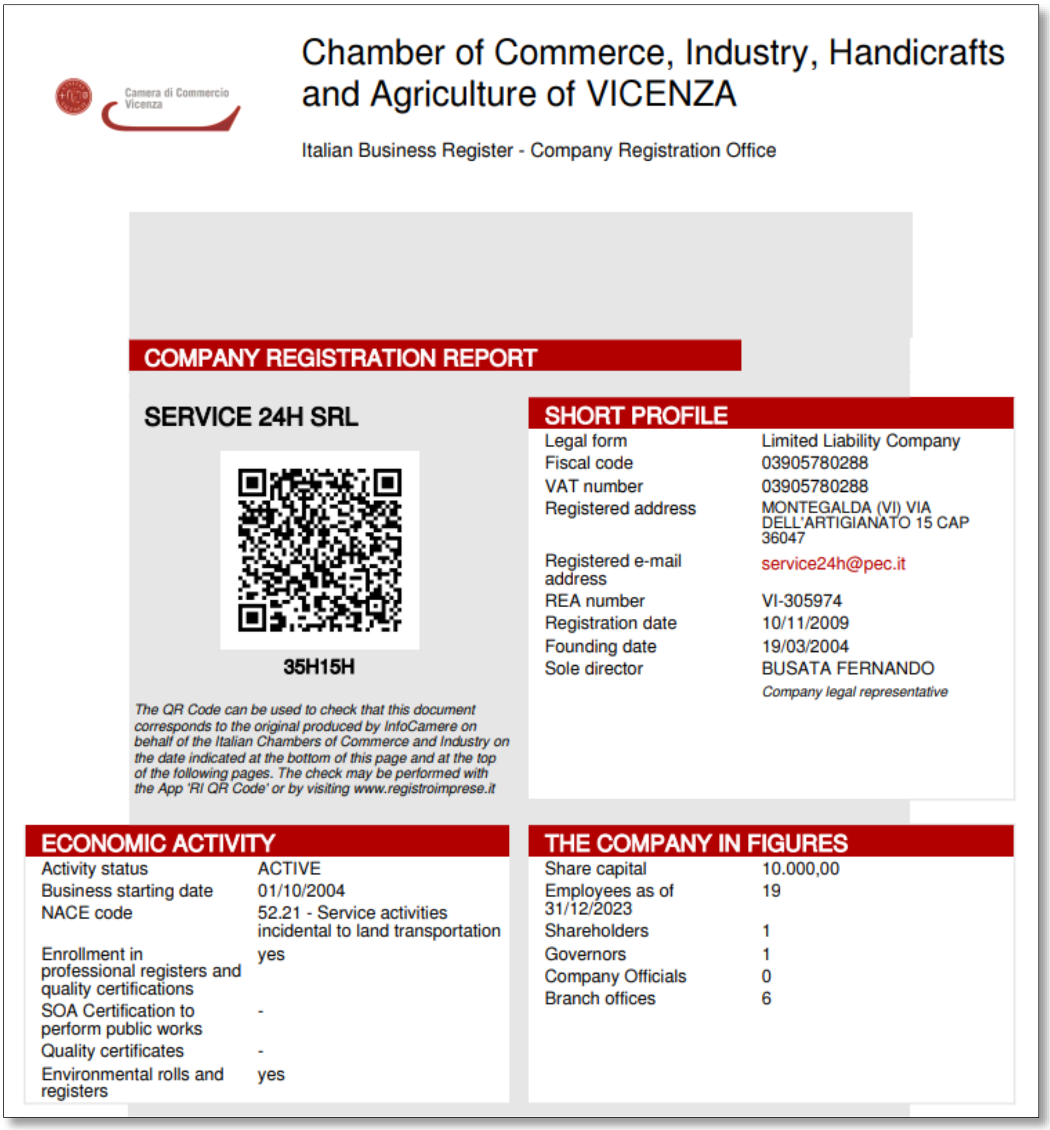
## 3.3 The Role of family Harmony

Family-owned businesses (FFBs) are a distinctive organisational form in which the interconnectivity of family and business systems gives rise to a distinctive approach to strategic decision-making. As outlined by Gomez-Mejia et al. (2007), family decision-makers tend to prioritise the protection of the socioemotional wealth they have invested in the firm when making strategic choices. Socioemotional wealth encompasses a number of dimensions, including family control and influence, family identification with the firm, the need to transfer the firm to the next generation, and a distinctive set of ties and connections between family members and the community (Pongelli et al., 2019; Kraus et al., 2016; Berrone et al., 2012).
Furthermore, FF is characterised by its distinctive governance structure and methods, which are the consequence of family involvement in ownership and management. Agency theory is frequently employed to argue that FF governance is more efficient than that of non-family businesses (Dyer, 2006). It is frequently asserted that trust, communication, and values are of significant importance in business. Family-owned businesses (FBs) are sometimes perceived to possess these elements to a greater extent than other types of enterprises (Dyer, 2018).
The connection between the family and the business systems, as well as the involvement of family members, produces a unique environment (Alberti and Pizzurno, 2013; Habbershon and Williams, 1999), which is nurtured by a set of unique resources and competencies (Chua et al., 1999; Zahra et al., 2004).

This perspective posits that the relationship between the family and the business gives rise to the development of a competitive advantage (or disadvantage) through the increase or decrease of social, human, and financial capital (Campopiano et al., 2020).
As posited by Van der Merwe and colleagues (2012), the value systems of FFs exert the most significant influence on their overall success. The authors identify five critical aspects that are necessary to achieve family harmony, which is a key component of performance. These aspects include trust, dedication, tranquility, fairness, and openness among family members.
In this study, these factors are combined into a single construct: the "family harmony." This is consistent with the approach taken by Van der Merwe and colleagues (2012).
Based on the foregoing considerations, it can be concluded that "family harmony has a positive effect on the performance of family SMEs".

## 3.4 A case study: Service 24h srl

Service 24h srl is dedicated to the field of road assistance and transportation. The company was established in 2004, as evidenced by the information provided in the official registration document (see Figure 8).
The business started from ideas and business relations that began in previous years.
Before 2004, the family business was mainly mechanical, providing vehicle maintenance and repair. The workshop was supported by a small office in Busata Fernando and his wife's house.
They also wanted a rescue vehicle to get customers who needed repairs.
The couple made contact with major roadside assistance insurance companies.
They decided to start a company that would provide roadside assistance.
From the start, the company has grown to have 40 recovery vehicles and 19 employees.
They help many different customers with roadside assistance and vehicle recovery.
The company's operational scope with regard to roadside assistance is predominantly regional, encompassing a number of extensive motorway sections. In contrast, its transport services are available both nationally and internationally.
Following a series of relocations of both offices and warehouses, the company now maintains its registered office in Vicenza, in addition to a number of operational sites distributed across the region.



Chamber of Commerce, Industry, Handicrafts and Agriculture of VICENZA

Italian Business Register - Company Registration Office

COMPANY REGISTRATION REPORT

SERVICE 24H SRL

35H15H

*The QR Code can be used to check that this document corresponds to the original produced by InfoCamere on behalf of the Italian Chambers of Commerce and Industry on the date indicated at the bottom of this page and at the top of the following pages. The check may be performed with the App 'RI QR Code' or by visiting www.registroimprese.it*

SHORT PROFILE

| | |
|---|---|
| Legal form | Limited Liability Company |
| Fiscal code | 03905780288 |
| VAT number | 03905780288 |
| Registered address | MONTEGALDA (VI) VIA DELL'ARTIGIANATO 15 CAP 36047 |
| Registered e-mail address | service24h@pec.it |
| REA number | VI-305974 |
| Registration date | 10/11/2009 |
| Founding date | 19/03/2004 |
| Sole director | BUSATA FERNANDO *Company legal representative* |

ECONOMIC ACTIVITY

| | |
|---|---|
| Activity status | ACTIVE |
| Business starting date | 01/10/2004 |
| NACE code | 52.21 - Service activities incidental to land transportation |
| Enrollment in professional registers and quality certifications | yes |
| SOA Certification to perform public works | - |
| Quality certificates | - |
| Environmental rolls and registers | yes |

THE COMPANY IN FIGURES

| | |
|---|---|
| Share capital | 10.000,00 |
| Employees as of 31/12/2023 | 19 |
| Shareholders | 1 |
| Governors | 1 |
| Company Officials | 0 |
| Branch offices | 6 |

*Figure 8: Service 24h srl Data. Source: RegistroImprese.it*

The company has undergone a series of changes over time, influenced by a number of external factors, including the competitive environment, the economic crisis, the pandemic and inflation. However, it was the internal dynamics of the company that had the greatest impact on its trajectory.

The company was established by my parents, who jointly managed it until 2020.

Over the course of the company's 15-year history, numerous challenges have been encountered. My parents have consistently demonstrated union and determination in addressing these challenges, yet this situation has frequently resulted in considerable tensions within the family, particularly with regard to the work environment. The interconnection between the family and work spheres has resulted in increasingly serious repercussions in the marriage, culminating in the decision to separate.

In December 2020, my mother divested herself of her shares in the company, which she had previously held as the sole proprietor. This transfer of ownership resulted in my father becoming the sole proprietor of the company (see Figure 9).

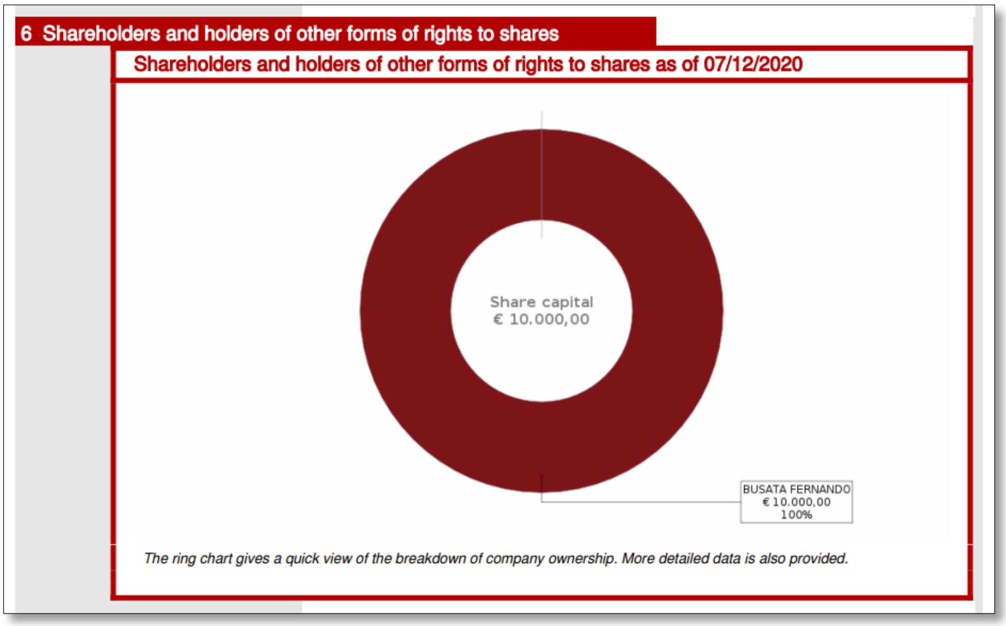



*Figure 9: Service Shares. Source: RegistroImprese.it*

The transfer of control was therefore assumed by Busata Fernando, who has been the proprietor of the enterprise since that time, with the assistance of his sons.
At the present time, the aforementioned sons are responsible for the management of a specific area of the company, namely that relating to the breakdown of heavy lorries, with all the possible cases that may arise.

### 3.4.1 Selection Criteria

This qualitative research was conducted at Service 24h srl, a small Italian family-owned enterprise operating within the transport and road assistance sector. The company adheres to several criteria commonly associated with a "family firm", as outlined in

Chapter 2 of this study and previously documented by Mandl (2008) and Lambrecht and Naudts (2008).

(1) The founder is the company's head;
(2) Other family members are employed by the company and/or participate in the property and/or the internal decision-making process. In this case, the three sons are involved in the company's organisational structure;
(3) Furthermore, the presence of non-family members who are aware of being significantly influenced in their actions by the family group is also a key indicator. In this case, the employees are observed to follow a path designed by the family.

The company reflects all the elements typically associated with a family-run business. Furthermore, the ease of data accessibility enabled the inclusion of this case study in this essay.

### 3.4.2 Data Gathering

The research consisted of regular interviews with the current owner of the company and the previous owner, my mother. My brothers were also involved in some of the interviews. Due to the numerous commitments Busata Fernando had, he was unable to dedicate much time to me, and on occasion, the interviews were postponed or conducted via telephone.
Before starting the interviews, the data processing consent document was signed, in accordance with Articles 13 and 23 of Legislative Decree No. 196/2003.
The duration of each meeting was variable, ranging from one to two hours, and the total number of meetings was 8.
The notes, which were derived from a variety of sources, have been integrated into a unified narrative. One member of the family was involved at a time, or the entire family was included as needed.
This company is owned by my father, and the family members involved in the company are my own.
Nevertheless, despite my close relationship with the survey participants, at the time of the research I was no longer involved in the business activity and did not receive any economic compensation.

This condition facilitated the establishment of trust between myself and the family members, which in turn enabled the collection of high-quality data. Furthermore, the researcher's familiarity with the firm enabled the observation and documentation of the natural unfolding of events.
This enabled an approach based on detached concern. In this study, the following sections present the main evidence that emerged from this research.

## 3.4.3 Findings

In this brief case study, data were collected through interviews and reworked into a single narrative.
Firstly, after data collection, the acquired elements were subjected to a rigorous examination in order to identify possible instances of redundant information (see Section 4.4.3.1).
Subsequently, the most illuminating repetitions were combined into thematic units (see Section 4.4.3.2).
The subsequent interpretive study identified specific correlations between non-economic goals and negative outcomes within the family, i.e. the emergence of maladaptive patterns.

### 3.4.3.1 Revealing Repetitions

A number of biographical events demonstrate the mother's systematic desire (and later evidence of the same desire on the part of the father as well) to establish professional relationships within the family. Since the children began attending school, the mother has consistently pursued a strategy of creating job opportunities by facilitating collaborations between the children and herself. In some instances, even school choices have been "advised" in this direction.

*Vanna: 'I commenced my professional career at the tender age of 14, in a weaving company, and was unable to pursue higher education. I aspired for my children to have a different experience. The two older brothers completed secondary education, and I hoped that at least the younger sister would attend university (...)'.*

In addition to the parents' wishes, the children, who were raised in the family business, also aspired to follow in their parents' footsteps and become part of it. Consequently, the first son-in-law attended a vocational school, learned the profession of mechanic, and obtained all the necessary licences to work as a roadside assistance technician.

The second son, however, obtained a diploma in accountancy, thereby demonstrating a greater inclination towards academic pursuits. Nevertheless, he subsequently elected to pursue specialisation in the operational aspects of the role, including the role of roadside rescuer.

The youngest daughter pursued an education in accountancy, following the same path as her brother. She considered terminating her studies after graduation and promptly joining the family business, working alongside her mother.

In fact, following the completion of her diploma and the development of a keen interest in economics, she opted to pursue further studies, obtaining a three-year degree in business administration and subsequently a degree in accounting and finance in English.

While the children were gratified to be employed in the family enterprise and were never compelled to do so, they undoubtedly experienced an 'emotional' impact from their parents, who had the intention of maintaining the family's unity within the business they had established. This can, in the long run, result in the family's inability to adapt to any change (a situation that actually occurred later) and internal family dynamics in which attachment is excessive.

This ultimately results in the significant misstep of failing to maintain the appropriate distance and autonomy between family members who reside in close proximity on a daily basis within the same environment (see Figure 10).

The data collected from the interviews revealed that, despite the presence of various difficulties (economic, operational, and stress due to the nature of the work), Fernando Busata and Quaggiotto Vanna maintained a united and collaborative family dynamic until 2018. This enabled the company to continue its activities and expand its scope of services within the territory, as well as to diversify its range of services.

In conclusion, the family members asserted that the positive interpersonal dynamics within the family facilitated the management of the various work-related dynamics.

In this tranquil environment, it was also straightforward to make significant decisions, such as investments in technological innovations, including the acquisition of emergency vehicles with advanced technical specifications.

The situation underwent a significant transformation in 2019, when the marriage of Busata Fernando and Quaggiotto Vanna encountered a crisis precipitated by the unfolding of private circumstances.

The deterioration in the emotional relationship had a profoundly adverse impact on the company's performance, with two individuals at the helm of management who were markedly at odds with one another.

Consequently, the most mundane and inconsequential of decisions became a significant impediment to the company's daily operations, resulting in considerable operational, economic, and relational challenges.

The employees indicated that they experienced considerable stress, which negatively impacted the quality of their work. In such circumstances, it was often unclear to employees whom they should approach for guidance on resolving doubts or problems, given the high levels of tension and conflicting opinions.

In 2020, Quaggiotto Vanna, disillusioned with the state of affairs within the family and the company, opted to sell her shares in the company to her former husband, Busata Fernando, who thus became the sole proprietor of the company.

The company was suddenly deprived of an administrative figure, a role previously fulfilled by the proprietor. This resulted in significant challenges in the company's management at that juncture.

In this context, a second revealing repetition emerges: the founder's centralized leadership style and evident distrust of family and non-family members.

Prior to 2020, the company was managed in a highly authoritarian manner, with all decisions being made exclusively by the two spouses. The employees, and equally the children, were never involved in operational and strategic decision-making processes, nor were they granted access to the company's minimal data.

This situation was particularly problematic when Quaggiotto Vanna departed from the company without ensuring the transfer of essential knowledge and data to her successor.

However, this aspect also manifested in the subsequent years of Busata Fernando's management. He consistently regarded the company as his own creation and initially sought the assistance and endorsement of his sons. Nevertheless, he subsequently made the majority of pivotal decisions independently, seemingly disregarding the personal and technical perspectives of his sons.

This resulted in a state of disengagement from the sons towards their father, who subsequently failed to recognise their significance within the company. The perception was that of being regarded as an employee on an equal footing with others, hired and integrated into the company for the sole purpose of performing their assigned tasks, without any meaningful personal input into the company's strategic direction.

This is a pivotal element in how the work environment eroded perceptions of work, both among employees and their children, who came to understand that the company would not accommodate flexible work arrangements or facilitate the pursuit of a more fulfilling career (see Figure 10).

In response to her father's expressed need for assistance, the third daughter assumed responsibility for the company's administrative operations in 2020. She was well-positioned to do so, having completed her academic studies and having gained experience working alongside her mother.

The issues were numerous and complex, ranging from access to data to comprehension of procedures that had never been documented by the mother until that point.

At that time, the daughter was pursuing her master's degree, and thus was obliged to opt for part-time attendance due to the volume of work.

A further crucial element emerges at this juncture.

At certain times of the year, the daughter required time to study and attend classes. However, the academic commitment was consistently regarded by the father as secondary to the needs of the company. This also influenced the daughter to work as much as possible and to study at night or on weekends.

Furthermore, the daughter's long-term objective was not to pursue a career within the family business, but to establish her own professional identity externally (a goal that was subsequently achieved). Furthermore, the readiness to change employment also encompassed remuneration. The remuneration received was consistently fixed, irrespective of the number of hours worked or the completion of projects. However, the daughter was never insistent on receiving additional compensation, cognizant of the company's financial constraints.

This objective was, for an extended period, "negatively influenced" by the father, who aspired to have all the children in the family business and to facilitate the generational transition, and was keen to highlight this on every occasion.
This attitude had a profound emotional impact on the children, influencing their decisions about their future and potentially deterring them from pursuing alternative career paths (see Figure 10).

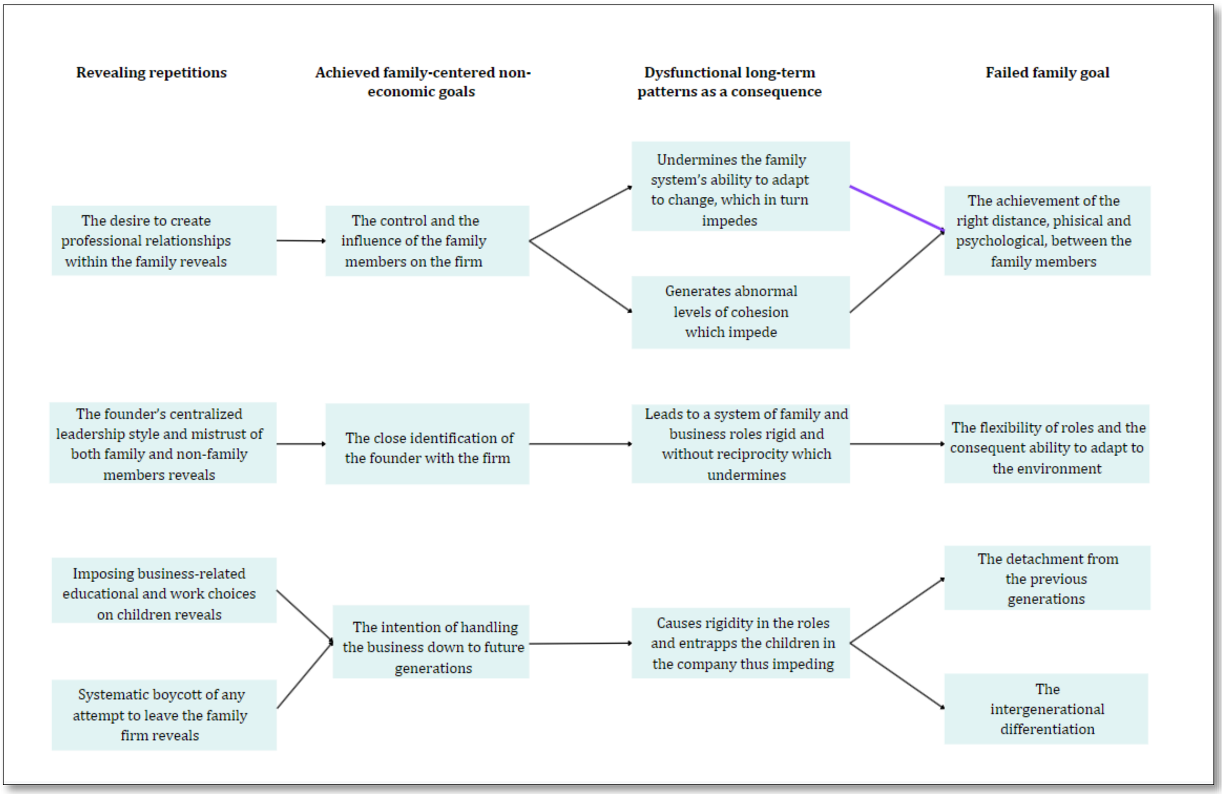



*Figure 10: Summary Work. Source: Ferrari, F. (2023).*

### 3.4.3.2 Thematic Units (non-economic goals)

The results illustrate how the corporation pursued three distinct non-economic objectives.
Firstly, the entrepreneurial family, headed by the mother-founder, gradually seeks to gain control of the company. This objective has been fully achieved, yet the degree of control appears to be pervasive.

Marina states, *"I worked in the company for 10 hours per day, and my labour helps pay off debts, but my salary remains static, even when my workload and responsibilities increase."*

Secondly, an analysis of the testimonies gathered over the years indicates a strong bond between the creator and the company, implying that even this non-economic purpose was met. However, with regard to job flexibility and adaptation, this results in a system that is characterised by repetition and a lack of flexibility. The mother, and subsequently the father, does not delegate or include their children in the formulation of strategic decisions. The intention to transfer ownership of the company to the next generation is evident, yet there is a lack of tangible effort to achieve this goal. Consequently, a future-oriented approach is evident, alongside the coexistence of different generations. The relationship structure is characterised by a high degree of role rigidity, which ultimately constrains the children's ability to pursue alternative career paths within the firm.

## 3.5 Conclusions

This concise study illustrates that conceptualising family businesses as goal-oriented systems (Randolph et al., 2019) is an appropriate methodology for emphasising goal design, associated strategic decisions and long-term consequences.
The findings indicate that the diverse levels of affectivity/care and ethical/responsibility considerations may elucidate the multifaceted decision-making processes observed in family enterprises when pursuing non-economic, family-centric objectives.
This study illustrates that, from a strategic perspective, the family, the family business, and the enterprise have distinct objectives. In a business family, ethical and responsibility issues frequently intersect with emotional and care issues. As Kaye (1992, 1996) has demonstrated in her seminal research, this case study suggests that, contrary to the normal course of life-cycle development, family-owned and/or family-run businesses are often used to resist the differentiation and development of children who enter the business, and sometimes even children who do not enter the business (Kaye, 1996, p. 355).

This study demonstrates that in a family firm, the dedication to family control prevents employees from leaving (what Gomez-Mejia et al., 2003 referred to as the 'family handcuff') and thus perpetuates conflictual relationships, resulting in an embedded family (Olson, 2000).

Ultimately, the family company becomes a trap for its members, with many long-term family aspirations ultimately failing.

An analysis of the cultural environment may assist in the comprehension of these strategic decisions, such as the systematic inclination towards the affective/care dimension in preference to the ethical/responsibility dimension. Italy is a typical Mediterranean country, yet certain characteristics (e.g., the prolonged residence of young people in their family homes and the provision of lifelong economic support to children) contribute to its distinctive profile (Livi Bacci, 2005; Saraceno, 2007; Dalla Zuanna and Micheli, 2004; Rosina and Sabbadini, 2006).

In such a context, strategic decisions regarding the selection of non-economic goals and the means of pursuing them may be influenced by the prioritisation of family cohesion and care for family members, rather than the development of an ethical dimension oriented towards children's autonomous development and the prevalence of business over family needs.

# 4. The impact of Harmony on the Digital Transformation

## 4.1 Introduction

The increasing digitalisation processes occurring in various industries have the potential to threaten the success of family small and medium-sized enterprises (SMEs) to a greater extent than that of other types of organisations. This is particularly the case when information technologies (ITs) are not properly implemented, managed, and used. Indeed, the strategic decisions of family firms (FFs) are frequently influenced by the long history and family legacy accumulated since their inception. This can often result in a conflict with the need for renewal and reinvention.

It is imperative to concentrate on FF, as there are robust theoretical reasons to anticipate that the underlying causes and consequences of technological innovation vary significantly between families and non-families (De Massis et al., 2013; Werner et al., 2018; Calabro et al., 2019; Martinez-Alonso et al., 2020). The investment horizons, risk aversion, diversification plans and return expectations of owners vary considerably (Thomsen and Pedersen, 2000). The involvement of family members in the ownership and management of SMEs has been demonstrated to exert a considerable influence on the activities and outcomes of technological innovation (Hoskisson et al., 2002; Kochhar and David, 1996; Salmon and Allman, 2020; Zhuang et al., 2020).

The extant literature on family-owned and/or influenced firms is extensive, having been the subject of considerable research activity in recent years (Pongelli et al., 2019; Chua et al., 2018; Danese et al., 2007). This research has spanned a diverse array of topics, including succession, member harmony (the central theme of this essay), governance, internationalisation, and innovation. Additionally, it has been conducted within various "sister" research fields, such as entrepreneurship and strategy (Williams, 2018). These firms demonstrate a long-term investment vision, are driven by robust family values, and frequently serve as a primary catalyst for job creation (Umirzakova et al., 2016).

Nevertheless, it is erroneous to assume that FFs are exempt from the necessity to adapt to rapidly changing settings that demand high levels of innovation and professionalism (Yopie and Itan, 2016; Deloitte, 2019). In the contemporary business environment, the ability of a company to innovate and develop superior products, services, and processes is a key determinant of its success (Zahra et al., 2007).

A multitude of factors influence the performance of FFs in such dynamic environments (Kraus et al., 2018; Gallucci et al., 2015; Calabro et al., 2013; Mazzi, 2011), exposing them to a multitude of challenges.

Some FFs are able to overcome these challenges and resume their previous success, whereas others are unable to do so and experience a decline in performance. This variation may be attributed to the family context or the goals that drive the FFs' strategy (Carney, 2005; Berrone et al., 2012). It is evident that varying degrees of family influence (also referred to as familiness) can have a significant impact on the outcomes of interest (Habbershon and Williams, 1999). In particular, greater family influence is associated with the adoption of different tactics and the achievement of varying levels of performance.

The involvement of families in the ownership, management, and governance of firms can result in the creation of distinctive resources for the FF (Campopiano et al., 2020; Rachmawati et al., 2020). Firms held by a controlling family exhibit a lower rate of disruptive innovation due to their higher long-term orientation (Calabro et al., 2019; Zellweger, 2007). The specific characteristics of an FF business model give rise to a distinctive approach to strategic decision-making, which in turn highlights the need for further research into their penchant for technical innovation.

From a technological standpoint, the influence of IT on SMEs has been a prominent issue of discussion among academics (Kim and Lee, 2007; Castorena et al., 2014; Chege et al., 2020).

The prevailing view is that SMEs utilise IT as a mere operational and technical tool, frequently failing to grasp the potential for significant enhancements in their performance (Aravindh and Ganesan, 2011). Nevertheless, other research indicates that innovative organisations (those with a genuine IT strategy focused on innovation) may outperform their competitors (Blundell et al., 1999). A number of authors have examined the significance of IT in governance systems (DeHaes and VanGrembergen, 2009; Raymond et al., 2019), yet few have concentrated on the FF context.

The distinctive attributes of these firms, including robust family influence and control, identification of the family with the firm, long-term orientations, and the necessity to transfer the firm to the next generation (for further details, see Berrone et al., 2012), render the relationship between IT and family business performance intricate and necessitate further investigation.

The majority of organisations make long-term investment decisions in IT (Byrd et al., 2006). However, family firms (FFs) are frequently motivated by competing economic and non-economic objectives. Williams et al. (2018) posit that the goal of passing on a business to future generations may not align with the short-term goal of creating income to please stakeholders.

Miller and Le Breton-Miller (2006) discovered that well-designed and effectively implemented family governance procedures can effectively address opposing aims and dynamics, ultimately leading to family unity and long-term success for family businesses (FFs). The transmission of shared ideals, vision, and orientation from one generation to the next is a key factor in achieving family harmony (Van der Merwe et al., 2012).

The evident interconnection between long-term IT objectives, long-term IT governance techniques and long-term outlooks prompted us to undertake an investigation into this subject matter. In light of the agency theory, this study puts forth the proposition that the harmonious functioning of the family unit, on the one hand, and the effective governance and strategic management of information technology, on the other, can serve to mitigate the financial outlay associated with agency relationships in family-owned businesses. As posited by Fama and Jensen (1983, p. 306), the interrelationships between family members over an extended period of time give rise to a number of dimensions of exchange that afford the family as a whole a certain advantage in monitoring and disciplining those involved in decision-making processes related to the family.

This chapter puts forth the proposition that technology and family harmony are two key and interrelated aspects. The objective of this study is to identify the primary effects of family harmony on the performance of family-owned businesses, with a particular focus on technological progress.

The principal focus of the study was evaluated using a sample of 15 Italian family-owned small and medium-sized enterprises (SMEs), through the completion of a questionnaire and subsequent data collection. The principal findings of this study indicate that family harmony has a positive effect on business performance, particularly with regard to technological process innovation.

Stewart and Hitt (2012) identified family harmony as a pivotal element in establishing a nexus between IT governance and IT strategy in family-owned small and medium-sized

enterprises (SMEs). This approach enables the streamlining of informal governance procedures, thereby enhancing the professionalism of the process.
The following sections introduce an FF orientation in the field of information systems (IS) literature, addressing the functions of IT governance and IT strategy in this particular context. Furthermore, our findings demonstrate that these firms possess distinctive characteristics that shape their digitisation strategies. Our results indicate that owners and/or management of family-owned SMEs should collaborate and maintain harmony as much as possible in order to improve their IT governance and IT strategy and achieve higher levels of business performance. The following sections will deal specifically with IT in family businesses, the research model and hypotheses, followed by the methods and results. Finally, limitations will be addressed and conclusions drawn.

## 4.2 IT in Family Firms

Information technology (IT) has been identified as a crucial factor in the success of FFs (Eddleston et al., 2008), given that only approximately one-third of FFs have a strategic plan (Calabro and Valentino, 2019; Eddleston et al., 2008), and FFs face significant challenges in technologically advanced industries (Carney, 2005). As defined by Gunday et al. (2011) and Chege et al. (2020), information technology (IT) encompasses technological systems that transmit, store, process, display, and automate information dissemination.
In this context, the term 'IT' is used in the same sense as that employed by Biniazi et al. (2011), namely as a collection of components that enable the organisation to perform its operations (administrative or operational) in an efficient manner, utilising data, software and networks to develop strategies that should lead to enhanced performance. The importance of IT for organisations has been demonstrated in numerous studies. It has been shown to enhance organisational dynamism (Castorena et al., 2014), improve resource management efficiency (Powell and Dent-Micallef, 1997), and facilitate the attainment of superior competitive advantages and performance (Dutot et al., 2014).
The impact of IT on firm performance has been demonstrated on numerous occasions in the literature. This impact has been identified from a capability perspective (Chae et al., 2018), an agility dimension (Sambamurthy et al., 2003), or a strategic perspective (Sabherwal et al., 2019; Wu et al., 2015). It has been demonstrated by academics that, due

to their relatively limited size, SMEs are typically unable to implement a comprehensive IT strategy and do not engage the services of IT specialists (Mehrtens et al., 2001).

DeLone (1988) posits that small and medium-sized enterprises (SMEs) encounter difficulties in adopting technology due to a lack of IT expertise and technical skills. Furthermore, he posited that SMEs typically pursue short-term plans and fail to consider the time and resources required to fully incorporate IT into their operations. In recent years, investments in information technology have demonstrated a clear and significant benefit to small businesses.

Hartoyo and Daryanto (2016) demonstrated that small and medium-sized enterprises (SMEs) can leverage information and communication technology (ICT) to reinforce or supplant existing information systems (ISs) and networks, thereby expanding their market reach. Gonzalvez et al. (2010) conducted a study of manufacturing SMEs in Europe and found that the use of ICT enabled improved control over information and material resources, resulting in higher production and performance.

It is argued that small and medium-sized enterprises (SMEs) benefit from restricted resources by making substantial use of information technology (IT), which enables them to perform better. Indeed, with minimal investment, SMEs can increase their market share, profitability, or make advances in other areas (Hwang and Kim, 2005). Consequently, the strategic utilisation of information technology is of paramount importance for small and medium-sized enterprises (SMEs) in order to surmount the limitations imposed by scarce resources and enhance their competitive advantage, thereby improving their overall performance (Dutot et al., 2014). It is incumbent upon small and medium-sized enterprises (SMEs) to ensure that their IT strategies are appropriate for their company operations, just as their larger counterparts must do. It is therefore imperative that further research be conducted into the role of information technology in small and medium-sized enterprises.

In their 2015 study, Bergeron et al. define IT governance (ITG) as "a responsibility of top management and an integral part of corporate governance, encompassing decision rights and an accountability framework for encouraging desirable behaviour in the use of IT, and ensuring that IT goals and objectives are realised in an efficient and effective manner" (2015, p. 4545).

The implementation of appropriate ITG mechanisms is conducive to the development of positive IT behaviours and is associated with the achievement of desired performance outcomes (Weill and Ross, 2004). Bergeron et al. (2015) recommend that SMEs implement distinctive ITG frameworks. Khalil and Belistki (2020) posit that because ITG mechanisms are complementary, even minor improvements in their implementation can have a significant impact on firm outcomes. This is evidenced by the individual and cumulative impact of ITG elements on firm performance (Sarker et al., 2012; Wu et al., 2015).

Mallin (2004) posits that a firm should implement more formal governance structures when the business becomes more challenging to manage as it grows.

The presence of familial harmony is conducive to the implementation of effective ITG. Indeed, a strong sense of harmony within the family unit should facilitate the process of strategic decision-making, including the implementation of effective IT governance.

Rodriguez et al. (1999) posit that employees of a family firm are more likely to accept and view control systems as legitimate due to their shared vision, commitment, and ties to the organisation. A strong sense of familial harmony serves to facilitate the natural evolution of relationship mechanisms and the emergence of an informal government system.

The agency theory posits that ITG can be utilized as a regulatory framework to influence behavior and control costs. It is necessary for ITG to gain control over the utilisation of information technology within a family-owned small and medium-sized enterprise (SME). The ability of ITG to navigate the complex landscape of IT choices, administration and control is contingent upon the existence of family harmony. The intricacies of information technology (IT) underscore the necessity for robust family harmony. The maintenance of family harmony is conducive to the effective functioning of ITG.

The role of ITG in the success of IT in organisations has been demonstrated by empirical evidence (Bergeron et al., 2015). A correlation has been established between ITG and business performance in SMEs (Wu et al., 2015). With regard to the organisational structure, it is anticipated that the delineation of IT responsibilities, regardless of its formality, will elucidate the roles and obligations attributed to specific family members. It is recommended that family-owned SMEs adopt family-specific relationship strategies and demonstrate a willingness to utilise technology. Furthermore, control methods must be created in order to effectively manage IT project development and maintenance.

ITG enhances the operational efficacy of family-owned SMEs.

The aforementioned family traits, including trust, dedication, peace, justice, and openness, collectively referred to as family harmony, may exert an influence on the strategic decision-making process, ultimately leading to the emergence of distinctive strategic orientations. It is therefore predicted that family harmony will have an impact on the IT strategic approach.

As outlined by Powell and Dent-Micallef (1997), the IT and organisational competencies of a firm should be aligned in order to optimise the benefits of IT investments and utilisation.

The formulation of an effective information technology (IT) strategy is of the utmost importance for any organisation. The existence of robust family ties can facilitate the process of developing such a strategy. The presence of family harmony has been identified as a positive influence on the development of IT strategies. As postulated by Bergeron and Raymond (1995) and Henderson and Venkatraman (1999), the alignment of IT strategy with corporate strategy is a pivotal factor in enhancing organisational success.

Others place emphasis on the significance of a favourable relationship between a strategic approach to IT and ITG competencies (Raymond et al., 2019) in driving IT performance. To some extent, the importance of aligning ITG with business strategy in order to achieve positive performance outcomes has been acknowledged (Chan and Reich, 2007). Similarly, as observed in small and medium-sized enterprises (SMEs), a clearly defined IT strategy should serve as a key determinant of the ITG mechanisms of family SMEs, encompassing structure, control mechanisms and relationships, with the aim of achieving optimal organisational performance. The application of agency theory to the context of family businesses (FF) and information technology (IT) provides support for the proposition that there is an indirect relationship between family harmony and IT governance (ITG), with IT strategy functioning as a mediating variable.

The conceptual paradigm is presented in Figure 11.

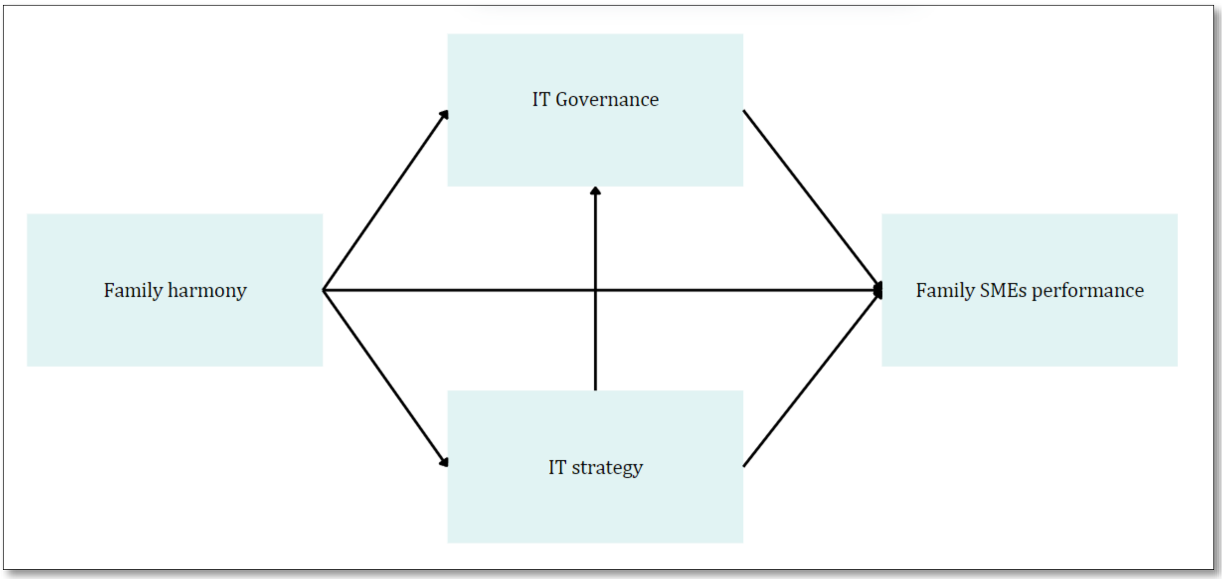



*Figure 11: Conceptual Model. Source: Dutot, V., Bergeron, F., & Calabrò, A. (2022).*

## 4.3 The Research

Once the framework of reference has been established, the research can be introduced. The primary goal of the study is to determine how harmony within family enterprises promotes digital transformation by facilitating decision-making and implementation.
The objective of this study is to examine the relationship between the emotional environment created by and among family members and its impact on employees and business processes in 25 family-run businesses.
The following section presents an analysis of the methods, results, and conclusions drawn from the analysis of the 25 companies in question.

### 4.3.1 The studies on the Research Methods

A qualitative research approach was employed to investigate this topic.
The qualitative method was selected in preference to the quantitative method, given that the former and latter are designed to serve different purposes. The qualitative approach enables the researcher to convey the views and opinions of the study participants, thereby capturing their points of view. As Yin (2015) notes, the findings of qualitative research

represent the meanings ascribed to real-world occurrences by those who encounter them, rather than the values, beliefs, or meanings held by the researchers themselves.

Moreover, qualitative research considers the contextual settings, including social, institutional, cultural, and environmental conditions, in which human behaviour occurs. These contextual variables can have a significant impact on many aspects of human life, including corporate operations and strategy (Yin, 2015).

This technique is aligned with the study's research questions. The objective is not to ascertain the extent of digital transformation within organisations, but rather to comprehend the emotional impact on each entity's strategic operational decisions.

Qualitative research has gained considerable popularity in a diverse range of academic and professional contexts. Its distinctive approach enables comprehensive investigations while circumventing the constraints that often impede other forms of research. These include the challenge of identifying an appropriate sample of respondents and obtaining a sufficiently high response rate for surveys. In general, the five characteristics that characterise and distinguish the qualitative technique are as follows (Yin, 2015, p. 9):

1. The study of individuals within their actual, everyday contexts.
2. The representation of their views and perspectives in the context of the study.
3. The explicit consideration and incorporation of contextual conditions in a real-world setting.
4. The provision of insights derived from existing or novel conceptual frameworks for the elucidation of social conduct and cognitive processes.
5. The recognition of the potential relevance of multiple sources of evidence, as opposed to reliance on a single source.

Given the flexibility and compatibility of qualitative research with a range of methods and domains, it is essential to provide a clear statement of the aims and structure of the research in question. In selecting the most appropriate research method, the case study approach was identified as the most suitable.

Yin (2009) asserts that the case study is the optimal methodology for examining contemporary phenomena, provided that the researchers are unable to influence the behaviours of the key actors. The case study is an appropriate method for studying a real-life occurrence in depth, provided that the researchers are able to gain an understanding of the contextual conditions that are highly pertinent to the phenomenon under study (Yin, 2009, p. 29). The use of case studies is not limited to a single field of study; rather, they are a valuable tool in a number of different contexts. Perhaps the most important application is in the explanation of complex real-life interventions, which cannot be fully understood through surveys alone.

Another potential application of this approach is to describe an intervention and the real-life contest in which it occurred, or to depict subjects inside an evaluation in a detailed manner. In addition, the case study technique may be employed to illuminate circumstances in which the intervention under evaluation lacks a discernible, unified set of outcomes (Yin, 2009, p. 29).

### 4.3.2 Methodology

In light of the dearth of research examining the nexus between digitalisation and harmony in family-owned businesses, the present study is exploratory in nature.

This empirical study employs a multiple case study approach to examine family businesses in the province of Vicenza.

The multiple case study was selected as the research method of choice because it allows researchers to investigate the 79 phenomena under study using a replication technique (Yin, 2003). In accordance with the replication technique (Yin, 2003), if the majority of examples yield comparable outcomes, there may be sufficient evidence to formulate a hypothesis that characterises the phenomenon (Eisenhardt, 1989).

The utilisation of this approach permits the investigation of occurrences within their intrinsic contexts, such as the examination of multiple enterprises within a singular geographical area. This methodology facilitates the generation of empirically substantiated practical and theoretical insights (Eisenhardt, 1989).

The companies selected for analysis were chosen on the basis of the following criteria:

(i) the identification of enterprises that consider themselves to be 'family businesses', and

(ii) the identification of organisations that have commenced or intend to commence the process of digitisation.

Of the companies contacted, only 25 expressed willingness to participate in the survey and be included in the theoretical sample.

### 4.3.3 The Tool used: the Online Questionnaire

The main survey instrument that was chosen to conduct the research is the online questionnaire, as it was considered the most suitable medium to achieve the defined research objectives.

Alongside the questionnaire survey method, due to the small number of participants, short interviews were also conducted to clarify and deepen certain issues.

The online questionnaire survey, among the various social research techniques, is constantly evolving and is by far the most widespread.

The questionnaire to be filled out online differs from other survey techniques precisely because of the way in which the questionnaire is delivered to the subject who is to fill it out and the way in which it is returned (Castelli, 2005).

Until a few years ago, creating and conducting an online survey required considerable efforts in terms of time and a certain practicality and familiarity with web authoring programmes, HTML code and scripting programmes. Today, thanks to survey creation software packages and online survey services, online questionnaire surveys are much easier and quicker to conduct (Wright, 2005). This type of questionnaire is characterised by the fact that it can be accessed directly via a web address or link that can be shared by e-mail or via social media posts. Online questionnaires allow researchers to create and deliver the survey to participants conveniently and immediately, and to monitor the results instantly (Fink, 2009).

In the research "The impact of harmony on the digital transformation of family businesses", we chose to restrict the study to the specific working context of family businesses in the province of Vicenza.

It was decided to construct and administer the questionnaire via the Google Forms application. Sharing the invitation to participate via Whatsapp, Facebook, Instagram and Linkedin made it possible to reach people operating in different organisational and occupational contexts, who therefore carry different experiences and opinions.

The survey also extended its pool of contacts through the administration of the questionnaire to other potentially interested people, reached by word of mouth, i.e. by the support of those involved in the survey in the first instance.

The questionnaire was active throughout August 2024 at the following link: https://forms.gle/35orVhgrSmg8cgmx5

In particular, the questionnaire is divided into five sections, with a total of 20 questions. The areas comprising it were identified in such a way as to achieve the set objectives (see table below, figure no. 12).

- The first section was dedicated to a brief introduction of the topic. An attempt was made to state, in a very concise manner, the purpose of the research;
- the second accommodates the phase of collecting general data on the participating subjects;
- the third section focuses on the perception of the enterprise as a family business, the number of family members present, whether or not they belong to the family
- the fourth section investigates the level of technology and possible new implementations, given the central aspect of this research, i.e. the harmony present in the family;
- the fifth and final section, investigates the central theme of the thesis, the impact of harmony, and includes generic questions on the various dynamics and criticalities of family businesses (such as the possession of management skills)

The questionnaire included questions posed in Italian and English, so that everyone could immediately understand the questions, without the language barrier hindering or affecting the research result. In order to analyse the data from the questionnaire in section 5.3.4, all the answers collected were translated into English.

When formulating the questions and their answers, the aim was to follow an important rule of thumb: the questions must be clear in order to avoid any misunderstandings, and all possible answer options must be taken into account.

Among the different types of existing questions, it was chosen to formulate part of the questionnaire using closed or fully structured questions, thus predicting all probable answers by defining possible choices (Di Fraia and Risi, 2019).

Questions number 4-7, 8, 10, 12, 16, 17, 18, 20 belong to this category.

In particular, questions number 10 and 16 are 'Likert scales'. The Likert scale was devised with the aim of devising a new instrument, simpler than existing ones, for measuring attitudes and opinions. This type of question consists of the formulation of a series of statements to which the respondent is asked to express his or her personal degree of agreement/disagreement, choosing from five response modes: 1= Not at all; 2= Slightly; 3= Slightly; 4= Very much; 5=Very much (Likert, 1932).

The remaining part of the questionnaire, on the other hand, includes open-ended questions in which the respondent has the opportunity to make a broader judgement.

| OBJECTIVE | RELATED CONTENT |
|---|---|
| Collecting general data | 1. Please provide the name of the company for which you are currently employed<br>2. Please specify the sector of the company in which you are employed.<br>3. Please indicate the year of the company's establishment.<br>4. How many employees work in your firm?<br>5. What are the firm's dimensions (net revenues)?<br>6. Please specify whether your operations are confined to Italy or if you also conduct business abroad. |
| Information on the family business and its members | 7. Do you think the company you work in can be classified as a family business (the family members are the people that run the company)?<br>8. Please indicate the number of employees who are family members.<br>9. Please indicate whether you are a member of the family that owes the company. If so, please describe the nature of your relationship with the family members who are employed by the company. |
| Level of technology and possible new implementations | 10. To what extent is technology employed in your business operations?<br>11. Has the firm recently implemented any new technologies (new processes or new tools)? If yes, please specify which one.<br>12. Do you think that technology choices implemented or to be implemented in the future can be influenced by the emotional environment among family members in the company?<br>13. Do you believe that the implementation of certain technological innovations is impeded by the actions of an individual? If the answer is affirmative, please describe the role this individual occupies within the organisational structure. |
| Questions on the impact of harmony, and generic questions on the various dynamics and criticalities of family businesses | 14. Please describe any instances you have observed in which there was a lack of harmony between family members. Provide a brief account of the circumstances and the manner in which they were ultimately resolved.<br>15. To what extent do you believe that familial discord has an impact on the working environment? In particular, what are your views on the effects of such discord on employee stress levels, the quality of work produced, and the achievement of results?<br>16. To what extent is your relationship with your family members characterised by peace and cooperation?<br>17. In consideration of the context in which you operate, would you posit that the aspiration to transmit the family business outweighs the objective of generating profits?<br>18. Do you believe that the family members who run the company possess the required skills for the roles they hold (answer "Yes"), or that they occupy those positions because of their family connections (answer "No")?<br>19. Do you think the working environment would be better if the management was made up of outsiders? If yes, please briefly explain the reasons.<br>20. Do you think that the strength of the family bond within the board can have a positive impact on the consensus process? |

*Figure 12: Objectives and Related Contents table. Source: Research Questionnaire.*

## 4.3.4 Results

In the following paragraphs, the sample analysed will be briefly described in order to give an overview of the type of companies involved in this research.
To this end, the first part of the questionnaire (meaning questions 1-6 and the relevant interview part) coincides precisely with the collection of information on the participants (age, gender, job description) and the characteristics of the companies investigated.
This is followed by a presentation and analysis of the data collected, commenting on both quantitative and qualitative data.
Finally, there will be a section devoted to the main conclusions deduced from this survey and reconciled with this thesis.

### 4.3.4.1 Sample Description

There were 25 replies to the questionnaire.
All the companies involved are from the local area (province of Vicenza) and, in addition to collecting the answers to the questionnaire, short interviews were also conducted. For this reason, some of the data did not come from the answers to the questionnaire but from data collected personally and only noted down.
The average age of the sample was 30.12 years and the majority of the participants claimed to be male.

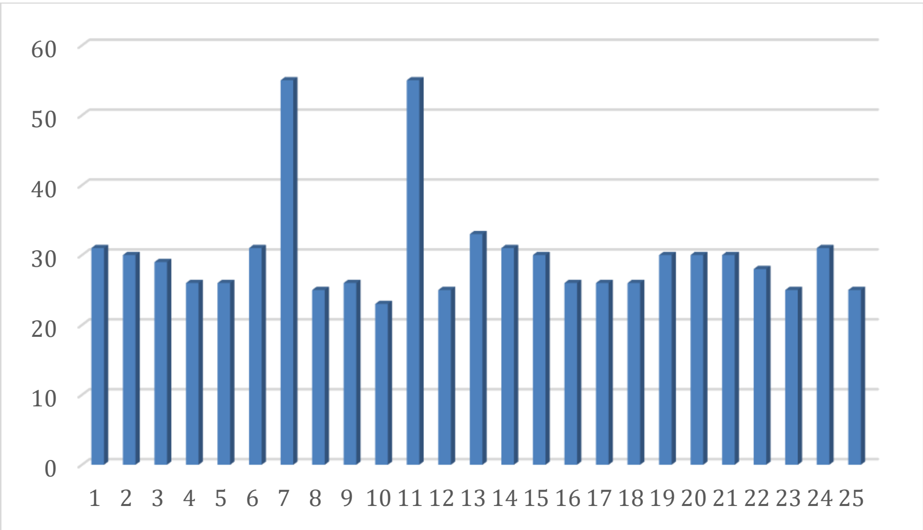



*Figure 13: Average Age of Participants. Source: Research Questionnaire.*

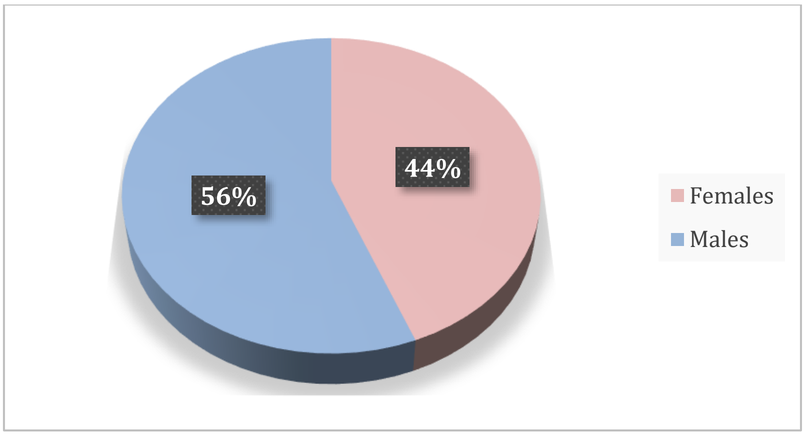



*Figure 14: Gender Distribution of the Sample. Source: Research Questionnaire.*

The majority of the respondents state that they belong to the family that runs the company.

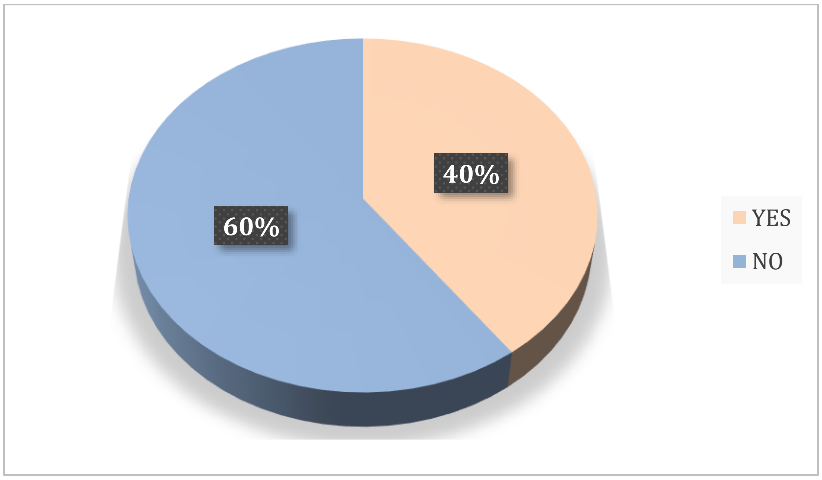



*Figure 15: Family Membership. Source: Research Questionnaire.*

As far as the sector they belong to is concerned, most of the respondents work in organisations dealing with transport and logistics (24.00% of the participants), followed by the mechanical sector, production and maintenance of machinery, plant engineering (20.00% of the participants) and commercial distribution services (also 20.00%). They are followed in scale by the financial and insurance services sector (12.00%) and agriculture, forestry and fishing (8.00%). The remaining participants work in the construction, personal services, food production and extraction of gas, oil, coal, minerals and stone processing sectors.

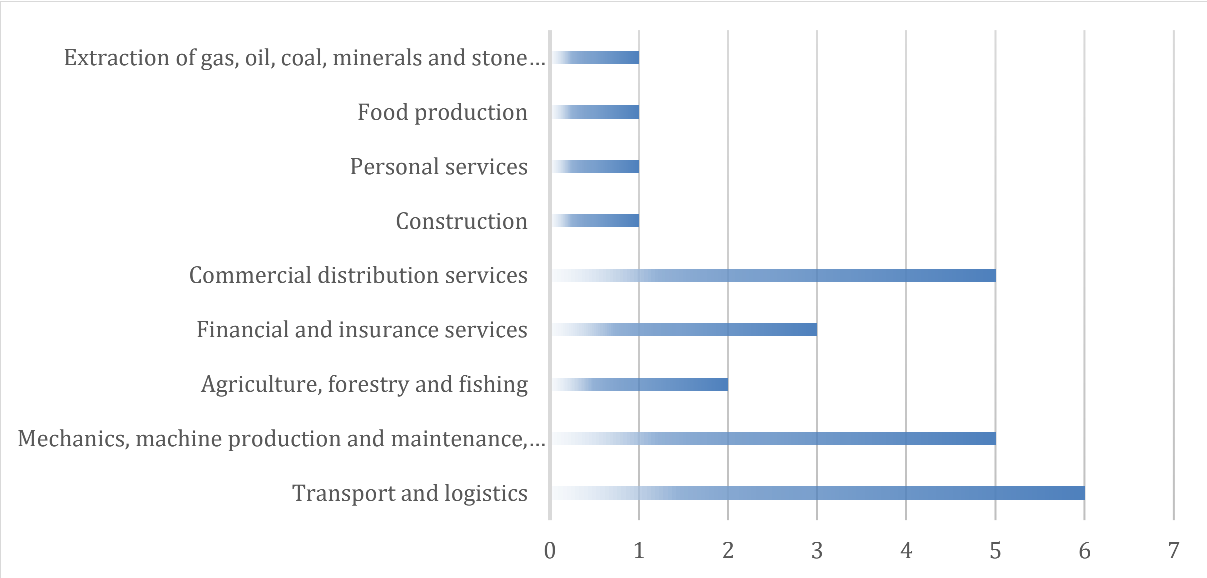



*Figure 16: Respondents' sector. Source: Gazzetta Ufficiale and Research Questionnaire.*

The third question concerns the year the company was established. The historicity of the family business activity could also have an impact on this research.

From the graph below (figure 17), it can be seen that one of the companies involved was established in 1950 and has therefore been in business for 74 years. The company in question, as noted in the face-to-face interview, has been handed down over the years from the father to the son who currently runs the business.

Most of the companies interviewed were established in more recent years: 1994-2005.

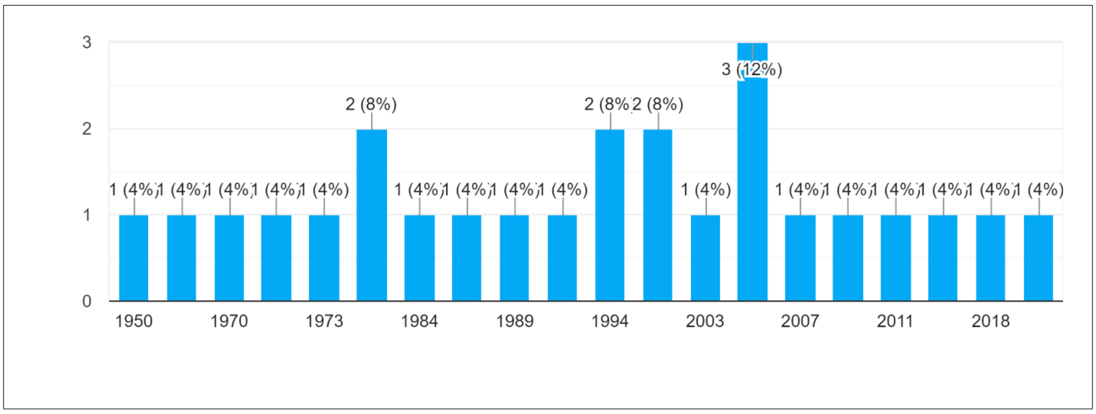



*Figure 17: Year of Establishment of the Company. Source: Research Questionnaire.*

The fourth and fifth questions, on the other hand, aim to understand the size of the company, in terms of number of employees and net revenue. These questions were asked to understand the classification of the companies surveyed.

EU Directive 2023/2775 issued by the European Commission on 17.10.2023 changed the size criteria for micro, small, medium and large enterprises; this directive was subsequently published in the Official Journal of the European Union on 21 December 2023.

As of 1 January 2024, these are the new size parameters for companies:

<u>MICRO-ENTERPRISES</u>
Enterprises that on the balance sheet date do not exceed the numerical limits of at least two of the following three criteria:
a) balance sheet total: EUR 450,000.00
b) net revenue from sales and services: €900,000.00
c) average number of employees during the financial year: 10

<u>SMALL ENTERPRISES</u>
Enterprises that on the balance sheet date do not exceed the numerical limits of at least two of the following three criteria
a) balance sheet total: EUR 5,000,000.00
b) net revenue from sales and services: €10,000,000.00
c) average number of employees employed during the financial year: 50

<u>MEDIUM-SIZED ENTERPRISES</u>
Enterprises that do not fall into the category of micro or small enterprises and that on the balance sheet date do not exceed the numerical limits of at least two of the three following criteria
a) balance sheet total: EUR 25,000,000.00
b) net revenue from sales and services: EUR 50,000,000.00;
c) average number of employees employed during the financial year: 250

LARGE ENTERPRISES

Enterprises that exceed the numerical limits of at least two of the following three criteria on the balance sheet date:

a) balance sheet total: €25,000,000.00

b) net revenue from sales and services: €50,000,000.00

c) average number of employees employed during the financial year: 250

In order to obtain a correct classification of the companies involved, it is necessary that at least two of the three above-mentioned criteria are met. In this case, points b) and c) are analysed.

The graph (no. 18) shows that 64% of the respondents work in companies with up to 10 employees (classified as micro), while the remainder work in companies with 10 to 50 employees (thus falling under small enterprises).

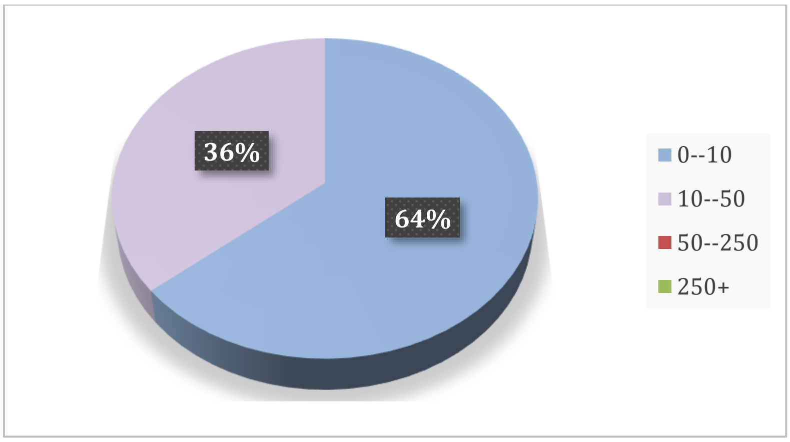



*Figure 18: Number of Employees. Source: Research Questionnaire.*

With regard to net revenues, 72% of the companies report revenues of 0-900,000 (micro enterprises); 20% report net revenues of 900,000-10,000,000 (small enterprises); the remainder (8%) exceed 50,000,000 (medium-sized enterprises) (see Figure 19).

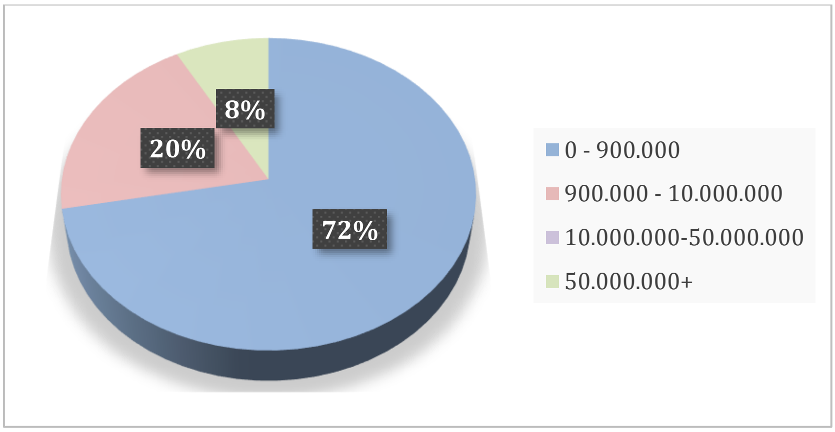



*Figure 19: Net Revenues. Source: Research Questionnaire.*

As mentioned above, the two requirements just seen must coexist in order to arrive at a correct size classification.

See the following table (no. 20) and the following graph (no. 21) to understand precisely what type of companies were interviewed.

| Family Business | Number of employees | Net revenues | Classification |
|---|---|---|---|
| 1 | 10-50 | 900.000 - 10.000.000 | Small |
| 2 | 0-10 | 0 - 900.000 | Micro |
| 3 | 0-10 | 0 - 900.000 | Micro |
| 4 | 10-50 | 900.000 - 10.000.000 | Small |
| 5 | 10-50 | 0 - 900.000 | Not classifiable |
| 6 | 0-10 | 0 - 900.000 | Micro |
| 7 | 0-10 | 0 - 900.000 | Micro |
| 8 | 10-50 | 0 - 900.000 | Not classifiable |
| 9 | 0-10 | 900.000 - 10.000.000 | Not classifiable |
| 10 | 0-10 | 0 - 900.000 | Micro |
| 11 | 0-10 | 0 - 900.000 | Micro |
| 12 | 0-10 | 0 - 900.000 | Micro |
| 13 | 0-10 | 0 - 900.000 | Micro |
| 14 | 10-50 | 900.000 - 10.000.000 | Small |
| 15 | 10-50 | 0 - 900.000 | Not classifiable |
| 16 | 0-10 | 0 - 900.000 | Micro |
| 17 | 0-10 | 0 - 900.000 | Micro |
| 18 | 0-10 | 0 - 900.000 | Micro |
| 19 | 0-10 | 50.000.000+ | Not classifiable |
| 20 | 10-50 | 0 - 900.000 | Not classifiable |
| 21 | 0-10 | 0 - 900.000 | Micro |
| 22 | 0-10 | 900.000 - 10.000.000 | Not classifiable |
| 23 | 10-50 | 50.000.000+ | Not classifiable |
| 24 | 0-10 | 0 - 900.000 | Micro |
| 25 | 10-50 | 0 - 900.000 | Not classifiable |

*Figure 20: Company Classification. Source: Research Questionnaire.*

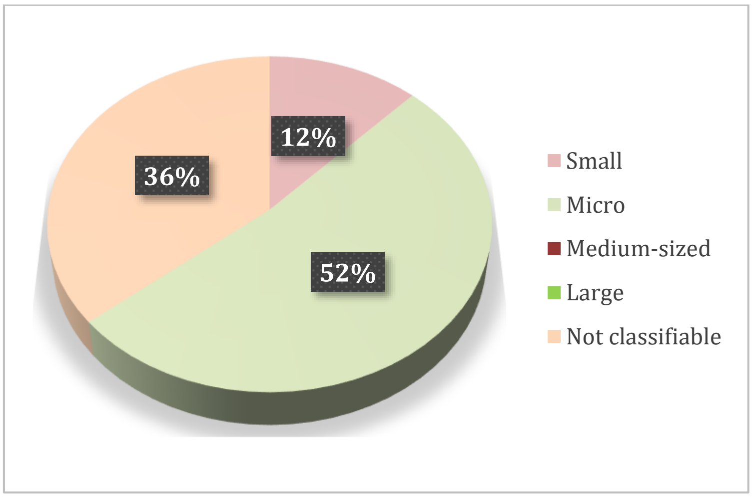



*Figure 21: % Company Classification. Source: Research Questionnaire.*

Question 6 is the last one in the section collecting data on participants. They were asked whether the company in which they work operates only domestically or also abroad.
As can be seen from the graph below, 76% of the companies surveyed operate domestically, while the remaining 24% also have foreign business counterparts.

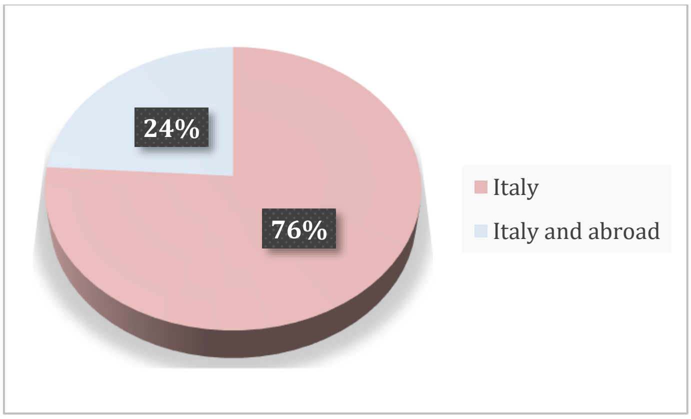



*Figure 22: Competence Area. Source: Research Questionnaire.*

The third section of the questionnaire seeks to investigate the perception of the business as a family business, the number of family members, whether or not they are family members.

The recipients of the questionnaire were specifically chosen because the companies in which they work meet the requirements to be defined as family businesses (please see Chapter 2) and this selection was the result of a prior analysis.
Speaking with the participants, the definition and perception of a family business was shared by all respondents.

With the second question in this section of the questionnaire, the aim was to find out how many family members belong to the company.
From the graph below (please see figure 23) it can be seen that 64% of the respondents see 0-3 family members in their company, which can be considered low.
From the interviews conducted personally in this case the family members involved are usually the parents and one child.
In a few cases the child present is an only child; in the majority, even if the household consists of more than one child, not all of them choose to continue with the family business and be its heirs. Many choose to create their own path outside the family context, out of a sense of personal satisfaction or because the family business does not reflect the person's dream job.
In 32% of the cases the family members involved are between 3 and 5, while for the remaining percentage (4%) the family members are more than 5.

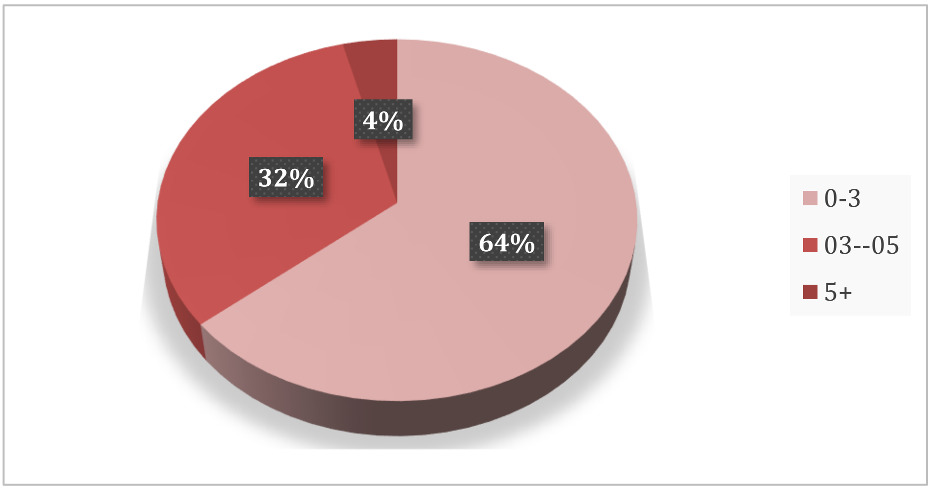



*Figure 23: Family Members belonging to the Business. Source: Research Questionnaire.*

After investigating the characteristics of companies and the presence of family members within the company, the following question (number 9) aims to investigate whether the respondent is part of the family that runs the company. If the answer is in the affirmative, the type of kinship relationship is to be investigated.

The respondents, as briefly mentioned in question number 8 investigating the number of family members, have close family ties.

In fact, those who answered that they belong to the family unit on the farm are mostly the children of the farm owners. In a few cases, uncles or cousins are mentioned.

From this, it is possible to understand how the choice of founding a family business, the desire to build and pass on one's own project to a family member, mostly concerns straight line kinship. From this aspect, the founder's perceived priority of passing on the business, rather than that of generating profits, will also be investigated later.

In the next section we enter the focus of the research and the aim is to investigate how much the harmony present among family members influences or does not influence the technological processes within the company.

#### 4.3.4.2 Focus on the Research

This first focus on the central theme of this thesis concerns the state of technology in the company. In the following questions, the focus is on the level of technology adopted by the enterprise and the possibility of new implementations.

The first question in this section requests respondents to rate the level of technology from 1 to 5.

On a scale of 1 to 5, where 1 corresponds to 'low level' and 5 to 'very high level', respondents stated what can be seen in the graph below (see graph 24).

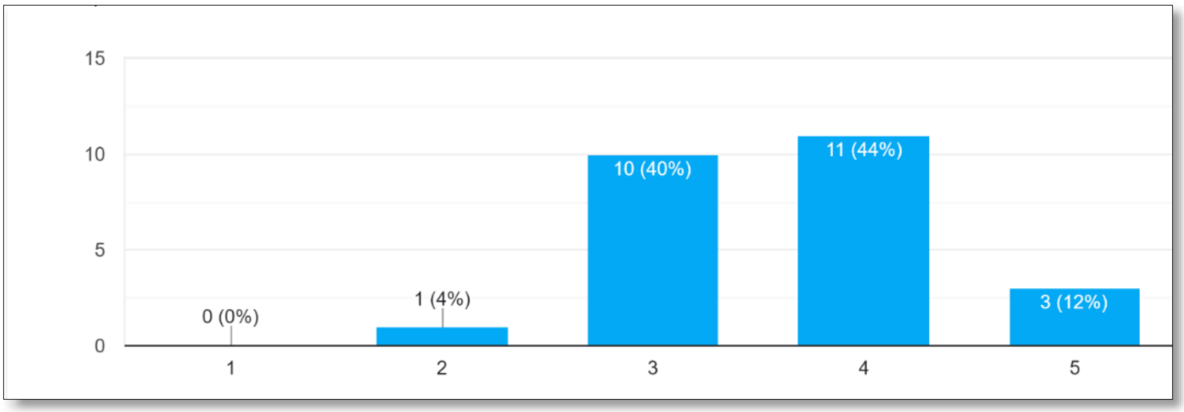



*Figure 24: Level of Technology. Source: Research Questionnaire.*

As can be seen from the graph, most of the respondents state that the level of technology is ‘fairly high’ and ‘very high’, 40% and 44% respectively.
Only 4% state that the level of technology is ‘not very’ developed. For the purposes of this research, this aspect was investigated further.
Only one company operates in the roadside assistance sector. The respondent stated that although the work itself and modern times require it, the level of technology is low. “*Programs in the PC (Office package and the use of e-mail) are used in an elementary way, those who use them are not trained and are not interested in improving technological skills. On the other hand, management is not interested in this and consequently it is not perceived as an important aspect by employees either*”.

The next question, on the other hand, investigates whether new technologies have recently been implemented, and this question serves as an introduction to the question number 14, which investigates the presence of any obstacles to the implementation of technological innovations.

In question 11, 68% of the respondents answered that new technologies have been implemented including:
- new machinery with interconnection systems to the farm circuit
- new app for herd management control (previously the farm process was managed with computers and connection to TeamViewer)

- energy efficiency work at the facility with the installation of solar panels and the latest generation of computers, installation of fast fibre connection and integration of working programmes/software with artificial intelligence
- Digitisation of files, transition from traditional (in-person) to telematic auctions, introduction of the marketing department with increasing use of social media.
- cash register, online menu
- use of sum up for card payments and more targeted use of social networks (e.g. marketing activities via Instagram)
- new state-of-the-art machinery for in-house production of an eyewear line
- new company operating system
- new remotely controllable machinery
- An online time-keeping programme to identify employees' schedules called GGEST
- new management software
- more and better use of Office programmes such as Excel and Wordpress
- new website

Question 12 goes into the specifics of the topic to understand how, in the companies examined, the emotional environment influences the technology choices implemented or the decision to implement them in the future.
Looking at the pie chart (graph 25), it's possible to see that 52% of the respondents answered 'NO' to the question, while 48% answered 'YES'. This indicates that there is a slight majority who do not think that technology choices are influenced by the emotional environment of the family, but an almost equal percentage think that these decisions can be influenced.

The following are some considerations.
The distribution of responses is very close to 50/50, which suggests that the perception of emotional influence in technology choices is controversial. This could indicate that emotional influence varies from context to context or that there is no clear consensus on this issue.
In fact, the participants who answered 'NO' to this question, as emerged from the interviews, are all from very small companies where the technological aspect is not even

considered. So any disagreements between family members impact on some situations, but not on technological development.
Since almost half of the interviewees believe that the emotional environment influences technology choices, it was useful to investigate which emotional or relational aspects are perceived as influential. Therefore, through the short face-to-face interviews, it emerged that especially confrontation through dialogue and mutual understanding help even those who are averse to technology to be open-minded in this respect. This creates a peaceful climate from which constructive debates arise and everyone can make a valuable contribution to the projects.

The emotional and family environment in family businesses can indeed influence strategic decisions. Those who answered 'YES' perceived that dynamics such as trust, conflict or family affection can have an impact on technology choices.

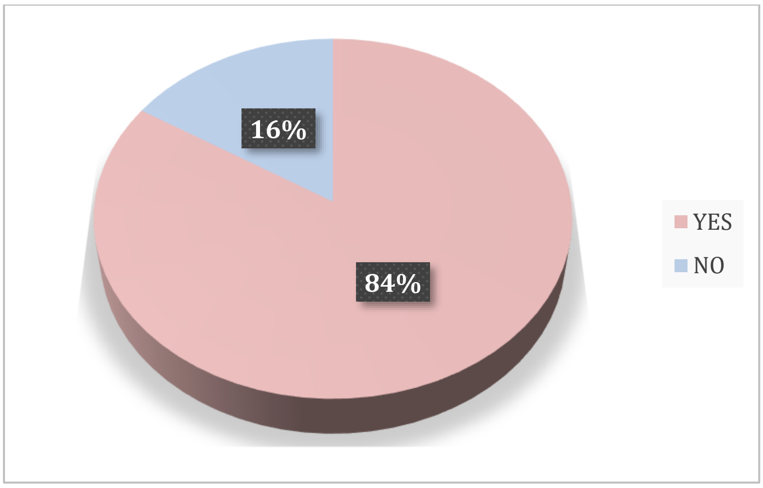



*Figure 25: Influence of the Emotional Environment on Technology. Source: Research Questionnaire.*

The next question, number 13, inquires whether there are any persons who hinder the implementation of certain technological innovations. If the answer is affirmative, you are asked to write down the role this person occupies within the organisational structure.
From the answers collected, a few main issues regarding the implementation of technological innovations and possible resistance can be identified.

Most of the respondents believe that there are no particular barriers related to a specific person within the organisation. This suggests that, in general, there is openness towards technological innovation, or that no single individual is perceived as being responsible for any difficulties.

In some responses (e.g. response 4 and 14), a common theme emerges: older workers seem to be less likely to embrace technological change. This is a typical obstacle in many companies where, for generational reasons, more experienced workers tend to be tied to more traditional methods such as using paper.

One respondent pointed out that the mother, probably an important figure in the organisation, tends not to understand the importance of technological innovations, such as the use of email. This may cause delays or operational dependencies, as she has to rely on employees to handle certain technological tasks. Interestingly, a possible intergenerational difficulty in understanding and adapting to new technologies is emphasised.

Another resistance is reported from drivers who refuse to use technological tools such as the app to fill in the tasks, preferring the paper method. This could be indicative of a lack of adequate training or a resistance to change rooted in habit.

It is mentioned that the most senior owner prefers to delegate the use of new technologies to employees, avoiding updating personally. This attitude, although it does not create a direct obstacle, may slow down the innovation process and send a message of disinterest in technological updating.

Although most people do not identify a single individual as the main obstacle, resistance is noted, mainly related to age and attachment to old, mainly paper-based, working methods. Older people, whether owners, mothers or employees, seem to be the most reluctant to change, although this is not perceived as an insurmountable problem. Support and training could help to overcome these obstacles effectively.

| Q13. Do you think that technological innovations are hindered by someone? If yes, what role does this person play in the company? |
|---|
| 1. No. |
| 2. I don't think so |
| 3. No |
| 4. Yes from older employees and workers less dedicated to change and attached to paper |

5. Partially. The mother has ideas based on the work process carried out in the past and very often does not understand technological innovations and the help they can offer in certain areas (e.g. the mother does not have an e-mail and this means that if someone is looking for her or if she has to send something to someone, she always has to ask her employees to send her e-mails on her behalf).

6. No

7. No

8. No

9. No, we are all aligned towards technological innovation

10. No, I don't think so

11. No

12. No

13. No, only sometimes my cousin often complains

14. The older owner is no longer willing to update with new technological systems, he prefers to delegate to employees.

15. Technical department manager

16. No

17. No

18. In general no. There are some paper habits to which the owner is attached due to her age.

19. No

20. No

21. Not one person stood in the way of new innovations. Most things are done with technology so even if we were low on technology we were committed to learning the necessary procedures for running the shop.

22. No

23. At the moment our drivers refuse to use the phone to fill in the app in addition to the paper work.

24. No, no one in my company stands in the way of technological innovations.

25. No, I don't think they are hindered by anyone in particular.

*Figure 26: Answers to Question 13. Source: Research Questionnaire.*

In the next question (question 14), respondents are asked to describe instances in which they have observed a lack of harmony between family members working in the business and to give a brief account of the circumstances and resolution of the conflict.

The following themes emerged from the analysis of the answers to the questionnaire. Many answers show a contrast between the old and the new generation, especially in terms of approach to work, technology and company changes. Tensions often arise when younger members want to bring in innovations, while older members prefer to maintain traditional methods (e.g. answers 3, 4, 20). This is a typical theme in family businesses, where generational change and openness to change are often a source of disagreement.

The lack of open dialogue is a common cause of conflict. Several answers indicate situations where disagreement or lack of confrontation (e.g. answers 1, 15, 16) led to tensions. However, with what emerged from the interviews, it is dialogue itself that is identified as the main solution for resolving disputes, demonstrating the importance of constructive communication (e.g. answers 6, 14, 21).

On the other hand, some conflicts arise from the allocation of responsibilities or the way certain business situations are handled. For example, misunderstandings about customer management (answer 6) or the choice of company software and tools without a common agreement (answer 16) can cause problems, especially when decisions are taken unilaterally.

Another recurring theme is the involvement of people from outside the family business, which can generate internal conflicts. For example, the access of unauthorised persons to a dangerous working environment (answer 7) or the introduction of new brands without unanimous consent (answer 8) caused disharmony in the reported cases.

Talking in more detail with some participants, some possible solutions were raised:

Dialogue is the most frequently reported solution. Many families dealt with conflicts through direct confrontation and open discussions, trying to find compromises (e.g. responses 2, 7, 18). This suggests that the ability to speak openly and respectfully is a crucial factor in maintaining harmony in the company.

In many of the situations described, conflicts were resolved by reaching a compromise that satisfied both parties and avoided imposing a single point of view (e.g. answer 18). This shows a certain flexibility and willingness to cooperate among family members.

Some answers indicate that, in more complex cases, conflict resolution required the involvement of people from outside the company or the use of external suppliers to solve problems (e.g. answer 25). This approach may indicate a willingness to seek practical solutions outside the family dynamics when necessary.

Some conflicts seem to result from accumulated stress, such as quarrels over work decisions or delivery problems (e.g. answers 11 and 24). In these cases, improving workload management and giving space to vent tensions may help prevent such situations from recurring.

Other answers indicate an attitude of ‘mutual tolerance’ (answer 5) or conflicts that are not present (answer 17). However, it is possible that in some cases conflicts are simply ignored or avoided, which may be risky in the long run, as unresolved tensions may reemerge in the future.

In general, the answers to the questionnaire show that conflicts are inevitable in family businesses, but can be successfully managed through open dialogue and collaborative solutions. However, the tendency to avoid conflict or maintain outdated methods may pose a risk to the future of the business, highlighting the importance of addressing problems proactively, encouraging change and promoting effective communication.

| Q14. Describe an incident in which you witnessed a lack of harmony between family members. Give a brief description of the circumstances and how they were resolved. |
| --- |
| 1. Meetings with people not open to dialogue. |
| 2. Work environment that is often likened to the home, the lack of respect that occurs in that environment also recurs in the workplace (disorder in the home and disorder in the workplace). The solution was to talk about it and show the problem, aiming for a compromise. |
| 3. Fortunately, big incidents do not come to mind! |
| 4. The main discussions are about working methods: there is the contrast between experience and youth. There is my father's tendency to say 'I've always done it this way and that's the way it goes on'. So he has a hard time accepting to try a new mode of approach even though theoretically it could be this one faster and more effective. It's like with the inclusion of technology, most arguments arise from fear of change. |
| 5. The company has a mother, a daughter and a son as management. Often the mother's vision is obsolete and focused on the past, while the son wants to make changes based on changing market trends, so the 'clash' of the different points of view is inevitable. The son would like to steer the auction sales more and more towards a clientele of private individuals, but in doing so, purchases by wholesalers/dealers are lost. What is important is that the costs are significantly higher than the revenues in the case of sales targeted at private individuals than at wholesalers, and this is not something that the son manages to take into account. |
| 6. There are none. We put up with each other |
| 7. Misunderstandings due to the handling of some customers, resolved by confrontation. |
| 8. For a family member, it was important that no strangers and unqualified people entered the work environment, due to a dangerous working environment. For other members, and siblings, it was not a priority issue and this generated a discussion. After a conversation and meeting about the risks and dangers in the workplace, the conflict was resolved: only authorised personnel. |
| 9. Fighting over the decision on what changes to make to the brands in the company specifically in the addition of a new brand. |
| 10. No. |
| 11. Head of family not present in the family environment and resolved with a work schedule. |
| 12. Stress fights. |
| 13. Early leave from work not granted. Solution: reduced working hours. |
| 14. Difficulties in finding a mutually agreed decision regarding the internal organisation of work. In any case, the solution to each problem was possible through open dialogue exposing all possible points of view of everyone. |
| 15. Discussion on a decision to be taken, with different points of view. In the end, the will of the company owner prevailed. |
| 16. Choice of software enabling smart-working. One of the members automatically decided on the software and then the other member tested and purchased it. |
| 17. None. |

18. Internal disagreement on how to arrange the objects in the common areas due to different age preferences. Resolved with a compromise that satisfied both parties and with a decent final effect.

19. No.

20. Some employees had made too much waste in production and my father blamed me instead of those involved (I plan production). I was offended and told him so, then we clarified.

21. I don't remember one in particular. Being three brothers it could happen that there were three different visions. The important thing was to confront each other and dialogue to understand the best solution.

22. Working hours flexibility leading to projects missing due dates. Resolved by setting and reminding priorities.

23. I witnessed a father's decision not shared by the son but with dialogue it was resolved.

24. It happens that there are discussions related to work issues and stress (delivery delays, traffic, breakdowns of vehicles), but with dialogue, understanding and mutual help they are always resolved.

25. The owner is the one who schedules the loads in the car transporters. Due to work, he went away for a couple of days and left the programme to a son. It is not known for whose fault, while preparing the load, the wrong car was loaded. After a brief discussion, the matter was resolved with the colleague who manages the transports. Thanks also to the cooperation of an external supplier, the cars were all at their destination the following week.

*Figure 27: Answers to Question 14. Source: Research Questionnaire.*

Next, the extent to which family discord is believed to have an impact on the work environment is investigated. In particular, what are the opinions on the effects of such discord on employees' stress levels, the quality of work produced and the achievement of results.

Many answers agree that family conflicts generate stress not only for the family members involved, but also for the employees. For example, answers 10, 11 and 24 highlight how family conflict creates a climate of tension that reflects on colleagues, affecting motivation and concentration. Some participants point out that this stress can lead to a decrease in the quality of work, delays in deadlines (answers 5, 8, 15) and an increase in operational confusion.

However, there are some diverging opinions. Answers 3 and 14, for example, suggest that conflicts, if handled quickly or infrequently, do not cause significant stress among employees. These people see family discord as a temporary problem that is resolved over time.

A common theme is the negative influence of family conflict on the quality of work. Answers 4, 7, and 24 emphasise how conflicts at management levels are reflected in the daily operations of the company, resulting in lower quality results. According to answer

5, another effect is ineffective communication: employees may receive conflicting directives from family members, which impairs their ability to work effectively and causes time losses.
Response 20 highlights the importance of consistency in communication by owners to avoid confusion among employees. Professionalism is also considered a key factor in isolating family issues from the effects on the work environment (response 16).

Several participants (answers 4, 10, 11) link family discord to difficulties in achieving business goals. Personal conflicts hinder decision-making and collaboration, leading to delays and inefficiencies. Answer 8 points out that the quality of work is directly affected, with an increase in the time needed to complete tasks. In response 18, one participant notes that customers also perceive the environment as tense, which negatively affects the company's image and, consequently, its economic performance.
In contrast, response 22 suggests that family conflict has minimal impact, while response 12 points out that, in certain cases, the presence of family in the company can spur members to do better, even though the lack of filters can bring issues from home to work and vice versa.

The answers highlight different conflict management strategies. Some participants emphasise the importance of keeping personal and professional roles separate (answers 4, 16, 21). Maintaining professionalism and adopting clear and consistent communication emerge as crucial strategies to prevent personal conflicts from affecting work.
Others, as in response 23, suggest that conflict resolution also depends on how well the family members involved manage to separate work and personal life. When this balance is not achieved, employees may feel the burden and suffer psychologically and professionally.

In general, most participants agree that family discord negatively affects the work environment, generating stress, reducing the quality of work and slowing down the achievement of business results. The perception of conflict varies depending on circumstances, communication management and the ability to separate family and professional roles.

| Q15. To what extent do you think that conflict between family members has an impact on the working environment? In particular, what do you think are the effects of such discord on the stress level of employees, the quality of work produced and the achievement of results? Explain briefly. |
| --- |
| 1. Simply how one reacts to problems, who raises their voice, and who understands that raising one's voice is unnecessary, and therefore works on solving the problem right away. |
| 2. I believe that tension between family members can easily be felt in the workplace. Often, disagreements arise that allow employees to exploit these misunderstandings to their advantage. The efficiency of production then suffers which in turn influences the objectives to be achieved. |
| 3. Low! In our case, disagreements arise due to too much workload that leads to daily stress, which is then resolved as the hours pass and tasks are completed. |
| 4. Family conflict is one of the main, if not the main, factor that can potentially damage and destroy a healthy family business. A business is a complex of assets but above all of relationships. It is difficult to separate the family relationship from the business relationship, but it is necessary to do so. If family management does not get along, it creates a working environment at all levels that is uncooperative, split and therefore unprofitable. What happens at the top of the corporate hierarchy is reflected at the lower levels, especially in family businesses that are often small and where information circulates quickly. The bad relations between the owners of the company are often blatant and heavily influence the well-being and work of the employees and thus the economic results. |
| 5. Conflict has a major impact on employees, as communication between family members is often not fully present, resulting in double work on the part of employees. Sometimes it may happen that they receive conflicting directives from one and the other family member to perform the same job. In doing so, the employee finds himself having to request a meeting with the owners in order to understand what direction the work he has to do should actually take. And this inevitably leads to a loss of time in performing the aforementioned work. |
| 6. In general, even in the event of disagreements, no matter how right the employee is, one always tries to remain on the side of the family |
| 7. If there are family conflicts in the work environment, this certainly affects the quality of work. |
| 8. The quality of the work produced suffers the most and the time taken to complete a job is lengthened because time is lost in resolving the conflict. |
| 9. Harmony and communication between members is crucial. Little dialogue equals less productivity |
| 10. I believe that conflict between family members in a work environment can have a major impact. This type of discord can in fact increase the stress level not only among those directly involved, but also among colleagues, creating a climate of tension. The stress generated can impair concentration and motivation, negatively affecting the quality of the work produced. In addition, conflict may hinder collaboration and slow down the achievement of company goals, as personal dynamics may interfere with professional decisions. |
| 11. I think the impact is very high, causing stress to employees and a lack of quality causing delays in productivity |
| 12. It is variable. On the one hand you are spurred to do more because you feel something is more yours, you feel the company is more yours, you feel the responsibility is more yours. On the other hand, being in the family, you have no filters so what you take to work you also take home and vice versa. |
| 13. I think the risk of impact is very very high. One of the main effects is that everyone does not have a defined role. |
| 14. Conflict between family members is sporadic and is resolved in a very short time. Employees do not seem stressed. |

15. Yes, it can have a very negative impact if the anger of the family members is then spilled over to the employees, in other cases a more tense climate within the company could be created. In both cases, the employees might find themselves in a more stressful situation, because these family members might get angry at them for the slightest mistake or delay.

16. The working professionalism of the different persons also involves their ability not to involve employees in personal conflicts and to separate work from personal matters.

17. None.

18. There is an impact. Internal tensions can be created and the quality of results goes down because e.g. arriving guests do not breathe in the serene atmosphere.

19. None.

20. I think it is very important that there is consistency between the commands to be given to the employees and transparency about everyone's work, so that there is no 'who should I listen to if you are both my bosses' confusion.

21. When there is conflict, unfortunately, the climate becomes more tense. However, it is essential to maintain professionalism and to ensure that these conflicts do not affect customer service. The ability to separate personal and professional dynamics is essential to preserve the quality of work and customer service.

22. Not affecting much.

23. It depends, if family members live together the burden of work is also brought home and creates an unhealthy situation, otherwise it can be resolved more easily in my opinion

24. I think that the conflict between family members in the work context has a very high impact on the quality of work and the environment in general. Being family members automatically leads to having fewer 'filters' in the clash, in terms of manners and words. Employees certainly perceive and absorb a negative climate that affects personal serenity and consequently the quality of work and results.

25.In the case of the company where I work, where the father is the owner, and the children help him, I believe that family conflicts can affect the harmony and tranquillity of the working environment. In particular, they can increase the stress level and lower the quality of work and the achievement of goals especially of employees who work closely with the 'family'.

*Figure 28: Answers to Question 15. Source: Research Questionnaire.*

Respondents who are members of the family are asked what kind of relationship exists between relatives. Respondents are asked to rate them on a scale of 1 to 5, where 1 corresponds to a not at all peaceful and cooperative relationship and 5 corresponds to a very peaceful and cooperative relationship.

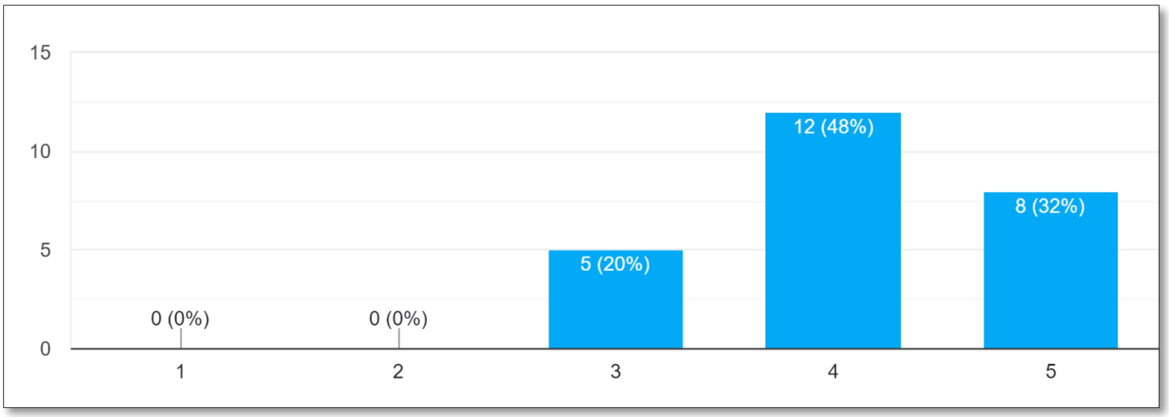



*Figure 29: Evaluation of the Relationship: peacefulness and cooperation. Source: Research Questionnaire.*

See section 5.3.3 for an explanation of the value scale.

As can be seen from the graph above (see graph 29), the respondents' assessment of the type of relationship with family members exclusively concerns values 3 to 5.

This means that in general the peaceful relationship and cooperation ranges from fairly to very much, values that we can define as positive.

Specifically, 20% of the respondents with relatives in the family business described the relationship as fairly cooperative.

As derived from the face-to-face interviews, the people who expressed this opinion see problems in their family-business situation that could often be avoided with more calm and dialogue, but on the whole they perceive the environment as positive.

Looking at the graph below, the majority stated that the relationship with relatives is very peaceful and cooperative. Respondents explained that on a scale of 1 to 5, although they feel satisfied with the climate in the company with their relatives, they prefer not to choose the highest value because some conflict persists, but even then it is always resolved in a very constructive manner. This allows the management and all employees and collaborators to work in a calm and emotionally stable environment.

The highest value on the scale sees a percentage of 32%. Here, the respondents stated that they are really happy with their relationship with relatives, both in the family and in the company.

They explained that their strength lies in being very united at home, in the absolute sharing of values and how problems in life are dealt with. This is reflected in the management of the company in a very welfare-oriented way, which consequently creates

an environment in which employees also feel part of the family and pursue economic and growth goals together with it.
Employees, as stated in interviews, feel listened to and in a ‘safe place’. Even if they receive other job offers, they choose to stay with their company because they are emotionally satisfied.

Question 17 below is: ‘Do you think the desire to pass on the family business outweighs the goal of generating profits?’
This question required a yes/no answer. The graph below (number 30) shows the response percentages.

The majority of respondents (60 per cent) believe that the objective of passing on the family business does not outweigh that of generating profits. This indicates that for many, profit remains a priority even in family business contexts, where generational transition may be relevant but not predominant over financial growth.
In contrast, a significant proportion of respondents (40%) believe that the will to pass on the business is more important than the goal of generating profits. This reflects a vision more oriented towards tradition and family continuity.
These data suggest a division between those who see the family business as a profit-making tool and those who see it primarily as a legacy to be maintained over time. Although the majority prioritises profits, a considerable percentage cares a great deal about maintaining the family business, even though this could potentially entail sacrifices in terms of economic growth.

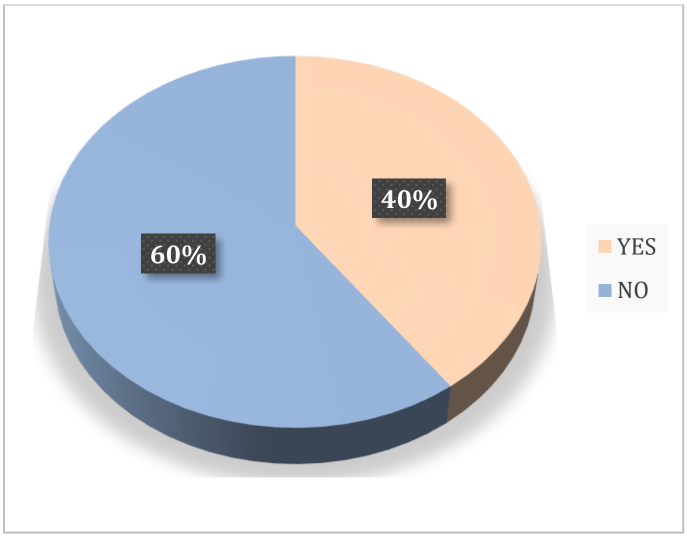



*Figure 30: Willingness to pass on the company above the Generation Profits. Source: Research Questionnaire.*

The next question seeks to understand whether, from the employees' point of view, management possesses the required skills for the roles they hold or whether they occupy these positions through their family connections.

As the chart below shows (graph number 31), 72% of respondents believe that family members who run the business possess the skills required for the roles they hold; 28% of respondents, on the other hand, believe that family members occupy positions because of their family ties rather than because of their skills.

From these results, it can be deduced that the majority (72%) express confidence in family members' skills in running the business, suggesting a positive perception of their professional abilities. However, a significant minority (28%) perceives a significant influence of family ties, questioning the merit or professional suitability of some managers.

This suggests that, even if a feeling of confidence in abilities prevails, there is still a concern related to nepotism or the possibility that positions are obtained more through family ties than through actual competence.

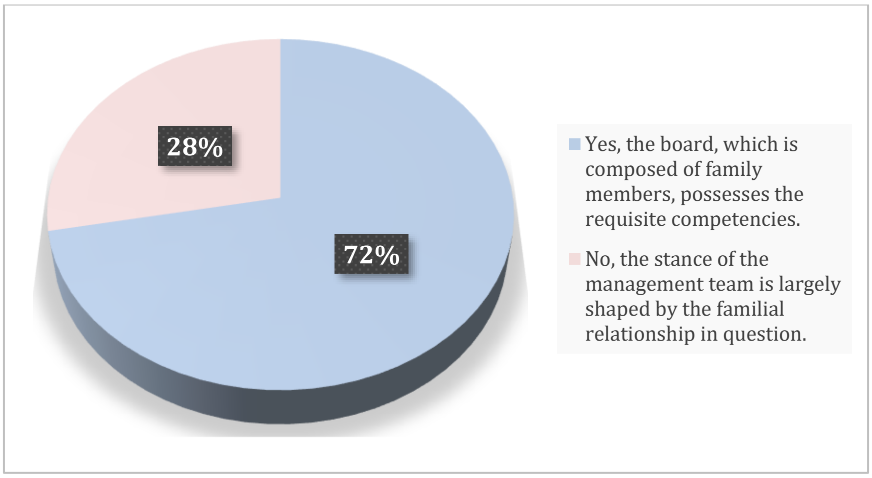



*Figure 31: Possession of Management Skills. Source: Research Questionnaire.*

The penultimate question, on the other hand, asks the respondents whether they believe that the working environment would be better if management were made up of outsiders. If so, they are asked to briefly explain the reasons why.

Considering the answers received, about 32% of the respondents have favourable opinions on the presence of external management.
Some people claim that an external management would prevent personal relationships from negatively influencing the work, ensuring greater objectivity and professionalism (e.g. answer 1).
Another recurring theme is the idea that external figures could bring a fresh perspective and innovative ideas, contributing to the company's development through different skills. This enrichment would be particularly useful to meet challenges that family management alone might not be able to tackle (e.g. response 11 and response 23)
Some responses suggest that external managers would be more motivated and competent, as they are not bound by family obligations and have a genuine interest in the role. This could lead to more efficient management (e.g. response 20).
Finally, external management could reduce internal conflicts, especially in family contexts where personal ties may interfere with business decisions. (e.g. answer 21).

On the other hand, the remaining 56% of therespondents haveopinions against external management and the following themes emerge from the analysis of the answers.

Family management is seen as an advantage in terms of passion, dedication and care for the company. For some, this special bond reflects positively on the quality of work and the environment. The fear is that external management will undermine these aspects (e.g. Answer 21 and Answer 14).
Some respondents believe that the synergy between family members creates a more cohesive environment and that this understanding could hardly be replicated by external managers. (e.g. response 16).
Other respondents express concern about the introduction of outsiders who may disturb the internal balance, generating tension or breaking the family harmony that currently sustains the company. (e.g. answer 24)
Finally,in small company contexts, the difficulty of integrating external managers, especially if they are not highly qualified or experienced, is highlighted. Some respondents believe that family management is more suitable in these situations. (e.g. answer 12 and answer 13).

The remaining respondents point to intermediate positions.
Some respondents suggest a middle way, i.e. integrating external figures into management to support family management without replacing it completely. This approach could bring in new skills without undermining the stability of the company. (e.g. Answer 2 and Answer 14).
Others think it depends on the type of company. This part of the respondents distinguishes between industrial companies and more professional or consultancy contexts, where personal relationships with customers are fundamental.
In summary, the responses highlight a multifaceted debate on business management, particularly in family contexts. While some see the benefits of external management in terms of innovation, competence and professionalism, others emphasise the value of family ties and synergy between members. The middle positions suggest a balance, with the possibility of integrating external managers without completely removing family management, especially in smaller contexts or where personal ties are a strategic resource.

| Q19. Do you think the working environment would be better if the management was made up of outsiders? If yes, briefly explain the reasons why. |
| --- |
| 1. Yes, simply because the working relationship is not influenced by the personal one. |
| 2. I think one possibility would be to supplement the management not to replace it altogether, to create support, but not only external people. |
| 3. No. |
| 4. No, in an industrial company it can be profitable to have external management that has perhaps gained different experience from family ownership, but in a professional firm where consulting is done and where personal relationships and trust between client and professional count a lot, no. |
| 5. Yes. Unfortunately the sons are at the top, precisely because they are the sons of the owner. Unfortunately, however, the sons are completely unaware of the operations and tasks of the employees. They have found themselves catapulted into an already well-established company and convinced that they are 'the owner' they think they know the job. |
| 6. No. |
| 7. Not always. |
| 8. No. |
| 9. No. |
| 10. No. |
| 11. Yes, because there are other points of view and they favour business development. |
| 12. Obviously if there were someone qualified (who has studied to run a company) the difference would be seen, but in such a small context I think the ideal is the management that is there now. |
| 13. It could be better but it is very difficult. |
| 14. The work-related responsibilities would be less, working in a family you absorb more responsibilities, certainly related to passion, because in general you try to maintain the family's reputation. Working with outsiders would certainly lack some responsibilities. Moreover, working in the family many times can be granted benefits not necessarily due to employees. |
| 15. Yes, for here they often have different and conflicting ideas. |
| 16. It depends on the synergies exploited by family members, which might be sufficient, so I say no. |
| 17. No. |
| 18. No. |
| 19. No. |
| 20. Yes because outsiders are really motivated and interested in filling the role, while family members (even if not personally inclined) feel obliged to do so. |
| 21. Family management brings a special attention and bond to the shop. There is more dedication and passion, which is then reflected in the quality of service and product. The idea of having external management on the other hand could help to separate the personal and professional spheres, reducing possible conflicts and bringing a new perspective. |
| 22. No, in my in small companies management roles should overlap ownership roles to drive value and profits. |
| 23. I think it could give a new vision that maybe complementary to that of the family creates a better process. |
| 24. No, as far as our context is concerned I think our company works well precisely because we are all family members and I think external management would ruin our understanding and balance. |
| 25. I think not. |

*Figure 32: Answers to Question 19. Source: Research Questionnaire.*

The final question of the questionnaire asks respondents whether they believe that the strength of the family bond within the executive board has a positive impact on the consensus process.
Analysing the graph below, number 33, a strong consensus emerges on the importance of family relationships in corporate governance (84%). This suggests that members perceive family ties as a factor of cohesion and trust, facilitating shared decisions.
On the other hand, the 16% of negative responses could indicate concerns about nepotism or a lack of objectivity, signalling areas for improvement in leadership dynamics.

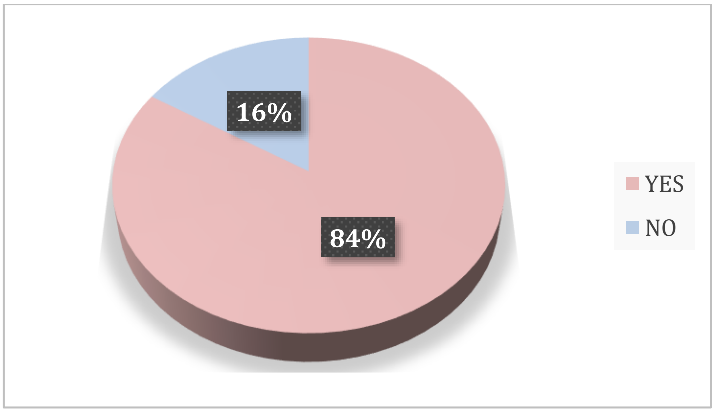



*Figure 33: Impact of Family Ties on Decision-Making. Source: Research Questionnaire.*

## 4.3.5 Discussions and Main Findings

The analysed chapter provides a good overview of the current state of technology in micro-small family businesses and its link to internal harmony among family members. By examining the data collected and the perceptions expressed by the participants, it is clear that family harmony plays a crucial role in decisions regarding the adoption and implementation of new technologies.
The results indicate that a large majority of participants rate the technology level of their companies as ‘high’ or ‘very high’. However, exceptions, such as that of a small company in the roadside assistance sector, show that the absence of a technology culture is often correlated with a lack of interest on the part of management and staff. This case shows how harmony and communication between family members influence not only the corporate culture, but also the willingness to invest in technology.

The responses on whether the family emotional environment influences technology choices are almost balanced, suggesting a division of opinion. However, it is significant to note that those who perceive a connection between emotions and technology choices are often those who experience constructive dialogue and mutual understanding. This underlines that a culture of openness and collaboration can encourage even those who are initially reluctant to technological innovations.

The analysis highlights resistance to innovation, particularly among older members of companies. Attachment to traditional methods and lack of training may hinder the adoption of new technologies. These aspects underline how family harmony can be compromised by generational conflicts, highlighting the need for open dialogue to facilitate the acceptance of technological novelties.

Conflicts between generations, frequently related to the implementation of new technologies, are common in family businesses. However, analysis reveals that most conflicts can be resolved through dialogue and compromise. This approach not only improves cooperation between family members, but also creates a more stable and productive work environment that is conducive to technological innovation.

Still, the results suggest that family conflicts not only affect family members, but also employees, creating a climate of tension that can undermine the quality of work and business results. It is evident that conflict management and the promotion of a harmonious working environment are crucial to the success of technology implementation.

Finally, the dichotomy between profit generation and the desire to keep the family business alive highlights an inherent tension in corporate values. Most respondents seem to prioritise profit, but a significant proportion value family legacy, indicating that harmony and the desire to continue the family tradition can influence strategic choices, including technology.

In conclusion, the results of the questionnaire underline how harmony among family members not only facilitates a positive work environment but can also significantly influence technology choices within family businesses. Technology adoption and implementation are complex processes that require not only technical expertise, but also a solid foundation of communication and collaboration between family members. Companies that invest in building strong and harmonious relationships are more likely to thrive in the digital age, embracing the technological innovations needed to remain competitive.

# Conclusions

This thesis highlighted the crucial role of harmony in family dynamics and its impact on the digital transformation of family businesses. Through in-depth analysis and extensive data collection, it emerged that businesses with positive relationships and open communication between family members tend to adopt innovative technologies and implement digital processes more successfully. This phenomenon can be attributed to the creation of a collaborative environment where ideas can be shared freely and concerns addressed constructively. In particular, companies that invest in dialogue and mutual understanding manage to overcome resistance to change and foster an innovation-friendly environment. A culture of active listening and appreciation of different opinions results in greater openness to new technologies and better alignment towards common goals.

However, it has also emerged that family discord can be a significant barrier to the adoption of new technologies. Internal tensions can generate uncertainty, creating a resistance to change that slows down the growth and adaptation of companies to modern challenges. Family businesses that fail to manage internal conflicts risk ending up in deadlock, where inertia becomes the norm rather than innovation. It is therefore crucial that members of entrepreneurial families actively engage in improving their relationships, creating a climate of trust and cooperation that is conducive to digitisation. The implementation of conflict resolution practices and internal mediators may be essential in this process.

The practical implications of this study suggest that family businesses should invest not only in advanced technologies, but also in developing the soft skills of family members. Skills such as the ability to resolve conflicts, communicate effectively and collaborate productively are crucial to navigating the complexities of digitisation. Training and personal development programmes can help build a solid relational foundation, enabling family members to work together more cohesively and strategically. These aspects can prove crucial for long-term success in the digital age, as family businesses that know how to adapt and innovate are more likely to survive and thrive.

In conclusion, harmony among family members is not only an intrinsic value of family businesses, but a key strategic element in their digital transformation. Family cohesion acts as a catalyst for innovation, making businesses more agile and ready to face emerging market challenges. Future research could further explore the relationship between other factors, such as the contrast between generations and other business dynamics, to provide a more comprehensive view of the challenges and opportunities in the context of the digitisation of family businesses. Exploring how generational transition and cultural differences within business families influence technology decisions could offer further valuable insights for family businesses in an increasingly digital world.

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