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Resilience in family firms

An exploratory study of nepotism under the shape of
asymmetric altruism's effect on family firm's resilience

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Abstract

Background: Family firms have a significant impact in every economy worldwide, and their capacities to achieve resilience have been highlighted as strategic to ensure their long-term success and survival. However, these strategies were argued to be potentially influenced by nepotism practices occurring at the hiring and successive stages. Previous research analysed both resilience and nepotism separately, without considering the possible interconnection of these two phenomena. Thus, this thesis explores the effects of nepotism practices on resilience by simultaneously analysing both resilience and nepotism.

Purpose: The purpose of our research aims at providing an understanding to family firms concerning the potential effects of nepotism practices on their resilience strategies. Furthermore, this study aims at identifying effects of feelings of injustice between the employees and their impact the firms' resilience.

Method: This qualitative research applied an exploratory research design to achieve its purpose, and the empirical data for the research was gathered through in-depth, semi-structured interviews. Eight interviews from four different family firms were completed, of which two firms were located in Sweden and two in Italy.

Conclusion: The results of this study show that nepotism practices are influencing family firms' resilience both positive and negatively, depending on various characteristics of the firms, such as official and perceived construct, size and market served, internal organisation, policies implemented and firms' goals.

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1. Introduction

This section of the research will present the topic of nepotism under the shape of asymmetric altruism and resilience in family firms by further stating the relevance of in-dept investigation of the topic. A real case will be presented in this chapter to highlight the research problem that is to be investigated, while further introducing the background of current research within the research area, and a problem discussion. Lastly, the chapter will end with a presentation of this research's purpose and research questions.

1.1 Resilience in firms

Resilience is recognised as all those processes adopted in firms that make them adapt and deal with upcoming difficulties and challenges. It is also identified as the main organisational capability for being sustainable in turbulent environments (Beech, Devins, Gold and Beech, 2020). The literature on firms' resilience has thoroughly investigated the ways in which organisations can detect and face current and future challenges in order to put forth the correct responses (Lengnick-Hall, Beck, Legnick-Hall, 2011). More specifically, researchers have focused on strategies such as increasing speed and quality of communication inside firms or the problem-solving capabilities of employees while also increasing the flexibility of the whole structure (Bhamra, Dani and Burnard, 2011). Additional studies also analysed the transformations that need to occur in firms' structures to achieve resilience through increased adaptability to the adverse situations in which they might find themselves in (Legninck-Hall et al., 2011; Chakravarthy, 1982). The extent and type of the undergone transformation were found to be connected with the characteristics of the markets in which firms operated, and especially with the level of dynamic change characterising them (Jennings and Seaman, 1994; Chakravarthy, 1982). Research on resilience capabilities of firms also highlights the development and integration of routines in firms' processes as beneficial to cope with emerging challenges (Pentland and Reuter, 1994).

1.2 Family firm's resilience

Research on family firms' resilience, has not focused merely on considering strategic adjustments such as strategies and routines. In fact, it has also analysed different organisational changes from which family run enterprises can benefit. Taguiri and Davis (1978), argued that family firms are often characterised by a more rigid structure that often sacrifices flexibility to

better shield the different dimensions at their interior. This rigidity often renders them more vulnerable than non-family firms to changes occurring in the environments where they operate. Rigidities also come from all those additional considerations made in every strategic decision to preserve, along with economic viability, also the firms' socioemotional capital. More specifically, socioemotional capital can be defined as all those non-financial aspects or affective endowments of family owners, such as control over the firm and its strategy and the well-being of involved family members (Berrone, Cruz and Gomez Mejia, 2012). Research has specified that the preservation of these aspects usually results in recurring and peculiar strategic choices, which can involve decisions not always merely economic (Berrone et al., 2012).

It is however also true that sometimes the family-firm structure is indeed able to be a resilient one, as some survive for hundreds of years and occasionally non-family firms change, as they grow, their structure to a family-firm one (Chua et al., 2004). Thus, there appear to be elements or organisational strategies and practices that make family firms resilient regardless of the changes they face.

1.3 Family firms' resilience through professionalisation and acquisition of externals

Chua, Chrisman, and Bergiel (2009), highlight the professionalisation of family-firms through the acquisition of qualified external workers as an effective way to foster their survival and performance. According to these views, through the acquisition of a varied set of skills, family enterprises can have enough strategic knowledge to develop various solutions to most of the problems they may encounter. Particular attention should be directed at attracting individuals with competences that are complementary to the ones the firm already possesses and that have strong potential ideological compatibility with the firm (Wright, Dunford and Snell, 2001; Collins and Porras, 1994). Some skills were however considered to be more important than others when looking for potential workers in the firm's outside environment. Lengnick-Hall and Beck (2003), point out cognitive resilience (to be able to analyse situations to develop strategic responses in a long-term perspective), constructive sense making (that allows to come up with correct interpretations of problems rather than programmed explanations) as two strong positive indicators to be considered when evaluating potential workers.

Acquiring external capabilities might facilitate family-firms resilience also by helping them overcome some HR related problems peculiar to this kind of enterprise (Habbershon and

Williams, 1999). First, due to their limited number, it may be the case that involved family members are not in possession of a big enough set of skills to overcome all potential challenges and ensure the firm's survival. Moreover, even if the family members are in possession of all the skills needed there still might be a shortage of personnel as the firm grows and the employees needed to outnumber the available workers (Chua et al., 2009). The hiring of externals may also help in overcoming phenomena of groupthink, as family members might be more prone to share the same views even if they are in fact erroneous (Arregle, Hitt, Sirmon and Very, 2007).

Thus, professionalisation of the firm can then indeed prove to be beneficial for its resilience but, especially in family owned SMEs, it also brings about new challenges that can arise due to the structural changes occurring in the firm. These challenges can be summarised in two main areas, that is, agency and stewardship issues (Chua et al., 2009). Agency issues can be defined as those problems that arise when a principal delegates a task he or she finds him-herself unable to perform to an agent, thus giving the agent the chance to shirk and to gain additional benefits by exploiting the information asymmetries present in the transaction (Jensen and Meckling, 1976). Agency theory highlights contractually based control systems and performance-related economic incentives the only way to ensure agents perform in the most profitable ways (Cruz, Gomes-Mejia and Becerra, 2010; Eisenhardt, 1989; Fama and Jensen, 1983; Jensen and Meckling, 1976). Stewardship, on the other hand, has a more benign vision of agents and sees in their freedom and empowerment the optimal incentive to ensure they achieve good performance (Davis et al., 1997). These two occurrences can, in family firms, be made worse by other phenomena such as nepotism.

1.4 Nepotism

The following paragraph reports the real-life case of Gucci, highlighting the potentially negative effects of nepotism on family firms.

Gucci was first launched, and then successfully developed, in its initial stages by Guccio Gucci for then further inherited by his sons, Aldo, Vasco, and Rodolfo. The daughter Grimalda was excluded from inheriting the business, even though she and her husband had been both heavily involved in it. After the death of Guccio, Rodolfo received the same percentage of shares in the firm as Aldo and Vasco even though he became involved in the business at a later stage and just out of monetary needs. Vasco died 21 years after the death of his father, giving his stake in the

company to his widow, which was then purchased by Aldo and Rodolfo. Thus, Rodolfo ended up possessing 50 percent of the whole company which was later transferred to his son Maurizio who became a prominent figure in the firm mainly thanks to its blood relationship with the family. Additionally, Aldo's son Paolo, allowed himself to act against the rest of the family and started his own business using the family's image, which resulted in him being fired. Later, Aldo tried to reunite his family and offered Paolo additional shares in the company and the position of vice chairman. The readmission to the family firm gave Paolo the chance to exact revenge on his family members, which was carried out by publishing documents proving the company had been cheating taxes (Gordon and Nicholson, 2010). These nepotism practices resulted in detrimental managerial outcomes that ranged from the opening of side businesses (damaging the family's main one) to the company's financial resources being used to satisfy personal needs. This caused the Gucci family to ultimately lose its ownership, as increasing debts forced the remaining members to sell it to external investors.

Nepotism can be defined as those phenomena arising from the differential treatments reserved to family members when compared to non-family ones. Preferential treatment is not based on any economic reason but merely on the subjects' belonging to the family. Nepotism practices, as professionalisation, cause different issues in family firms depending on when they are implemented (Madison et al., 2018). More specifically, adverse selection problems arise when nepotism comes into play at the hiring phase while moral hazard issues emerge when it occurs at later stages. The former cause individuals not fit for a task to be hired based merely on their belonging to the family running the firm. Examples of these phenomena are provided in the introducing paragraph describing the Gucci family experience, where poor hiring choices resulted in catastrophic results for the firm. On the other hand, moral hazard identifies all those behaviours entailing preferential treatment of family members not justified by any economic reason. Our research focuses on the moral hazard implications of nepotism at the hiring stage and at moments successive the hiring phase, and more specifically on those phenomena that result from asymmetric altruism practices. Asymmetric altruism occurs, as nepotism, when family owners and workers display different amounts of altruism towards each other, both in frequency and intensity. These phenomena can be characterised by disproportionate incentives given to some individuals, belonging to the family, without any economic rationales. The incentives

given can be of different nature such as promotions to more important positions or higher compensation not directly linked to skills or work performance (Chua, Chrisman, Kellermanns, and Wu, 2011).

We focus on the unjust benefits given to family-employees compared to both other family members and externals of lower or equal rank. We suggest that these preferential treatments cause, in addition to the waste of resources in unjustified and undeserved benefits, destabilisations also in the socioemotional capital of the firm which in turn affects the organisation's overall working environment. More specifically, they contribute to raising feelings of injustice among employees, which in turn affect job dissatisfaction and quit rates, along with overall levels of individual and firm's resilience (Cropanzano, Byrne, Bobocel and Rupp, 2001).

1.5 Purpose

In our analysis, we stray from the view proposed by Ang, Cole and Lin (2000) that argued that the family firm construct is such that the impact of agency and stewardship phenomena on family firms is small enough not to be considered. In their analysis, they argue that the convergence of owner and manager figure, interior owning of property rights, personal relationships and family membership align the actors' interests and make costly control systems superfluous (Fama and Jensen, 1983). In our opinion, they forget however to consider the peculiar dynamics present in family firms, among which nepotism phenomena, that can worsen both agency and stewardship problems neutralising the apparent benefits of the family firm construct.

Moreover, the scarce previous research conducted on the subject analysed predominantly the effects of perceived injustice coming from nepotism practices on either non-family or family members separately. We try to combine the perceptions of all actors to understand both the extent of the differences in nepotism-related injustice perceptions and their effects on the firms' abilities to achieve resilience. By doing so, we aim at framing nepotism effects on the whole firm, while simultaneously identifying consequences on personal dimensions of single actors. Through a data collection methodology that focuses both on individuals and specific contexts, we try to develop a general understanding that is applicable to family-owned SME's with

characteristics similar to the firms we surveyed. We do not consider large, publicly traded firms as they both have efficient internal control systems and are more likely to see the involvement of external stakeholders, making nepotism and asymmetric altruism practices more difficult to implement.

The purpose of our thesis is thus to provide an understanding to family firms on the potential effects of nepotism practices on their ways to achieve resilience. We also aim at identifying effects of feelings of injustice and how they impact the firms' resilience. Thus, we propose the following research questions, which will be aimed specifically at filling the identified gap in research while hopefully also laying the foundations for future research's development on the subject.

Research questions:

1. Which actions are taken by family firms to achieve resilience?
2. How do nepotism practices affect family firms' ways to achieve resilience?
3. How prominent are asymmetric altruism practices in family firms and how they affect the working environment?
4. How do nepotism practices under the shape of asymmetric altruism affect family firms' strategies to achieve resilience?

2. LITERATURE REVIEW

This chapter will in-depth introduce the main theoretical framework of the current literature within the research topic chosen with the aim of providing a greater understanding of topic and the included theories. A table is presented in the beginning that shortly introduces all the categories that are presented under this chapter.

Topics	Literature review
Family firm	Review of the most widely used definitions of family business in the literature.
Resilience in family firms	Different strategies to ensure the family firm success over time are presented, with a focus on the environment and the possible strategic responses over time.
Resilience through resilience capacities building	A specific review on how to build resilience through professionalisation of employees and acquisition of new workers.
Acquisition of externals	Acquiring externals as a resilience strategy, the advantages and disadvantages this might cause in family firms.
Hiring policies in family firms	Approaches used in the hiring of new workers in family firms.
Owners' opportunism and altruism	Implications of the possible preferences of family firms' owners when hiring new workers and managing them in family firms.
Stewardship and agency	Different approaches to managing acquired employees, both benefitting or hindering the achievement of resilience in family firms
Injustice perceptions and their impact on resilience	How injustice is perceived by employees and how it affects resilience.
Nepotism, <u>Familiness</u> and justice perceptions	How the creation of <u>Familiness</u> is affected by injustice perceptions created by nepotism.
Nepotism destabilising organisational justice and resilience	Final overview of the impact on organisational justice in family firms and how this affects all the possible ways to achieve resilience.

Figure 1: Summary of the topics presented in the literature review with a brief description of the topics.

2.1 Overview of family firms' definitions

Researchers analysing family businesses still have not reached a consensus regarding a universally accepted definition of the topic (Chrisman, Chua and Chapman, 2005). Scholars developed definitions that differed from one another and were predominantly operational in nature. Thus, differences among them stemmed from the amount and predominance of elements of family involvement in the firm such as management, ownership and governance. However, these definitions failed to explain theoretically how these elements should differentiate family firms from one another and from non-family ones (Chua et al., 2009). Other scholars tried to define family businesses based on their substance, to include in the definition of the subjective element of each family run organisation (Chua et al., 2009). More specifically, the firm's orientation and behaviour, (Davis and Tagiuri, 1989; Chua, Chrisman and Sharma, 1999), the advantages gained through family members' cooperative resources (Habbershon, Williams and MacMillan, 2003) and the willingness to keep the business in family hands (Litz, 1995), all were used as elements to define family run organisations.

Another example of family firms' definition stemming from the substance-based definition is the Resource Based View proposed by Habbershon et al. (2003). The authors found in firms' abilities to create a competitive advantage by combining family and business elements, the confirmation of their family nature. Other scholars found in the extent and effect of the family's involvement in the firm the discriminants to define family businesses (Stern, 1986). A strong involvement of the family in all the business' dimensions has also been identified as an element favouring the creation of competitive advantages through the creation of Familiness (Habbershon et al., 2003). However, scholars also argued that too strong involvement impacts family firms negatively, as management and ownership inefficiencies and conflicts can create problems to firm's resilience and performance (Schulze, Lubatkin, Dino and Buchholtz, 2001). Examples of these problems can be the limited set of competences available (Chua et al., 2009), the prioritising socioemotional goals over economic ones and the imposing of arbitrary strategic time horizons to the firm's activities (Gallo and Vilaseca, 1996; Lee and Rogoff, 1996).

2.2 Resilience strategies in firms

Family firms may also encounter problems when it comes to developing resilient capacities due to organisational shortcomings and the peculiar mixture of elements found in their structures

(Chang, Chrisman, Chua, and Kellermanns, 2008). However, the development of resilience capacities is considered as an outmost priority to ensure family firms' survival both for the current and future generations (Ates and Bititci, 2011). Researcher on firms' resilience is abundant and varied with definitions ranging from "the ability to process uncertainty before the firm needs to adapt to the environment's mutations" (Cumming, Barnes, Perz, Schmink, Sieving, Southworth and Van Holt, 2005; Gunderson, 2000; Carpenter, Walker, Anderies and Abel, 2001; Hearnshaw and Wilson, 2013) to the conservatism of firm's practices to uncertainty (MacKinnon and Derickson, 2013; Sudmeier-Rieux, 2014).

This wide variety is confusing and makes it difficult to understand resilience's deeper meaning (De Bruijne, 2010), underlying nevertheless its being a multifaced and dynamic process (Luthar, Cicchetti and Becker, 2000). The analysis of this process needs to consider the importance of firms' values and goals and their connection with the outside environment (Astrachan, Klein and Smyrniotis, 2002; Astrachan and Shanker, 2003). Accordingly, Sutcliffe and Vogus (2003), highlighted different responses firms can adapt based on the type of environment in which they operate. Thus, an adaptive fit approach, which sees firms changing according to the degree of complexity in their outside environment (Chakravarthy, 1982), can be followed if certain conditions are present. More specifically, the shocks affecting the environment need to be such that the market moves from one stable equilibrium to another (Lengnick-Hall and Beck, 2005). When this does not happen, either because the shift between unstable equilibria is continuous or the shock is believed to be merely temporary, firms can make use of robust transformation processes (Lengnick-Hall and Beck, 2005). These entail strategies that are purposely temporary and aimed at responding to the occasional changes, using dynamic tension between creativity and productivity while also adapting the firm's strategy to cope with ever new challenges (Sutcliffe and Vogus, 2003).

Additional studies, jointly considering environmental uncertainties and firm's strategic responses, described how resilience can be achieved through organisational routines (Ginsberg and Buchholtz, 1990). These studies rest on the assumption that organisations, through trial and error processes can isolate effective responses to frequently occurring changes (Lengnick-Hall and Beck, 2005). These effective practices are then included in the firm's operational activities and turned into routines. The broader the spectrum of changes encountered the bigger the

number of routines that an organisation develops and assimilates (Lengnick-Hall and Beck, 2005). Boiston and Child (1999) argued that organisations can either choose to achieve an appropriate level of fit with their environments (with routines which reduce complexity) or can develop autonomous routines without constraining their organisational decisions and actions (complexity absorbing routines).

When firms opt for complexity reduction routines, they focus on one strategy which they believe will be able to neutralise all the challenges arising in their environment (Boisot and Child, 1999). They therefore strive to develop routines directed at enhancing order and stability, reduce interactions and limit differentiation inside the firm (Boisot and Child, 1999). Complexity absorption routines, on the other hand, allow firms to keep a broader spectrum of options, thus giving them the flexibility needed to devise responses for any unexpected challenges that might arise. These routines are thus malleable enough to be applied to multiple situations without a set structure being imposed on decisions, to effectively tackle unexpected events (Boisot and Child, 1999). Weick (1995), pointed out the existence of an additional strategy, that is, the choice to postpone or skip taking strategic choices. Thus, strategies that are prevailing into the firm at the moment the choice is taken, are applied to the emerging challenges, thus disregarding complexity altogether. Two defining aspects of these routines are threat rigidities and escalation of commitment. The former promotes withdrawal and avoidance from threats (Dutton and Jackson, 1987) while the latter avoids concerns associated with complexity. The avoidance of such concerns is due to a need for self-justification or to feedback being perceived as something negative in the firm (Staw, Sandelands and Dutton, 1981; Tversky and Kahneman, 1981).

2.3 Resilience through capacities building

Further research on firms' resilience focused on the development of resilient capacities, which are defined as a blend of cognitive, contextual and behavioural qualities affecting how firms understand their current situation and develop effective responses (Boisot and Child, 1999). Resilient capacities build on three main subcategories, that is, cognitive resilience, behavioural resilience, and contextual resilience which are in turn composed of additional sub-elements (Lengnick-Hall and Beck, 2003). Cognitive resilience rests on constructive sense making, which is the interplay occurring between information seeking, decoding and acting (Thomas, Clark and Gioia, 1993), and a strong ideological identity that is the identification of individuals with the

firm's strategic plans (Collins and Porras, 1994). Behavioural resilience is what enables organisations to first analyse occurring adverse situations and then to use collective resources and skills to overcome them (Argyris, 1980). Behavioural resilience relies on a rich and diversified inventory, which gives firms a broad range of instruments to overcome any challenge they may encounter (Sutcliffe and Vogus, 2003) and functional habits. Functional habits are defined as routines specifically aimed at fostering open communication, expand information pools and strengthen interaction inside the firm (Lengnick-Hall and Beck, 2003). Finally, contextual resilience provides the environment for the integration and application of the previous two. It is composed of deep social capital, which comes from interactions among people and expands the firm's knowledge and resource pool (Inkpen and Tsang, 2005), and broad resource networks, that represent the firm's ability to attract external help.

In family-firms, the development of contextual resilience through enhancing inner and acquiring external social capital is particularly tricky as their inside environments are limited in diversity and ability to attract and absorb knowledge from the external environment (Dyer, 1989). Thus, a way to promote contextual resilience was identified through the professionalisation of family firms, which can be achieved either by professionalising the already employed family and non-family workers or by hiring externals (Dyer, 1989). The implementation of each of these options entails different challenges for the firm. For what concerns the professionalisation of employees, changes occurring in the firm were pointed out to be incremental in nature with the company culture usually not needing to change dramatically (Dyer, 1989). Moreover, differences are present based on whether professionalised employees are family members or not. More specifically, to professionalise employed family members, a sufficient number able and willing to undergo proper business training (and desirous to apply this newly acquired knowledge in the firm) should be present (Dyer, 1989). Additionally, the family plans must be directed at owning and managing the business without any radical strategic and structural changes, at least in the short run (Dyer, 1989). Further considerations should be directed at family members' feelings as they may feel pushed towards career paths that they are not interested in. Feelings of resentment where proposed to arise in such situations towards the parents potentially damaging the socioemotional wealth of the company (Barnes and Hershon, 1976,). The second option to be considered is to professionalise non-family employees, which can be pursued if trust levels and perceived motivation are high enough, while the numbers of available family members are low

(Dyer, 1989). For the successful implementation of this option family firm leaders must first identify non-family members with the needed set of skills, then pushing them to undergo business training. Finally, once the training is concluded, remuneration and status should be given according to the standards allowed to family employees on the same hierarchical level (Dyer, 1989). This will ensure the retention of those qualified employees and their high morale and lower cynicism during operations (Dyer, 1989).

2.4 Acquiring externals

The last option to professionalise family firms is to bring in qualified workforce from the firm's outside environment. This option was deemed beneficial by Gedajlovic, Lubatkin and Schulze (2004), in case no or little interest is present in the family to continue the business or the need is felt to change the business' family values. Additionally, family firms are often not interested in hiring externals, even when more qualified than family members, due to perceived ownership losses from their inclusion (Chua et al., 2009; Schulze et al., 2001). Moreover, contrary to non-family firms that are usually profit-driven, family firms often pursue goals that are not merely economic (Chua et al., 2009). Thus, family members are usually perceived to be more likely to understand and pursue these goals without the need of costly economic incentives, which family firms might be unable or unwilling to provide their employees (Chua et al., 2009). Researchers have attributed this preference for family members to be in line with agency theory principles, ensuring the successful pursuit of family-related, non-economic goals such as family ownership, control and emotional capital protection, without incurring high costs (Chua et al., 2009). Other scholars argue that, on the contrary, stewardship behaviours that make externals active parts of these processes could be more successful in allowing family-firms to follow both economic and non-economic goals more effectively (Davis, Schoorman and Donaldson, 1997).

2.5 Stewardship and agency in family firms

The different approaches derived from these two theories stem from the diverging light under which they consider the relationship between firms and workers (Madison, Daspit, Turner and Kellermanns, 2018). Both agency and stewardship analyse the interactions between principals and agents (or stewards) under a behavioural and a governance perspective, yet differences in their theoretical foundations can be highlighted (Madison et al., 2018). In fact, agency theory finds its base in economics and assumes that workers (or agents) will inevitably choose to act

opportunistically to enhance their own utility, even at the expense of the principals' (Davis et al., 1997; Eisenhardt, 1989). Being rooted in economics, agency phenomena are usually measured in terms of costs and are defined as the financial expenditures caused by both, the damages of the unavoidable workers' opportunistic behaviours and all the activities aimed at identifying, detecting and solving them (Jensen and Meckling, 1976). Stewardship, on the other hand, finds its base in sociology and psychology therefore proposing a more benign view of workers' behaviour (Corbetta and Salvato, 2004b). In fact, it considers workers as stewards, whose main aim is to benefit the firm through responsible behaviour, being their interests naturally aligned with the principals' (Corbetta and Salvato, 2004b). In family-firm settings, due to their peculiar characteristics, agency and stewardship assume peculiar dimensions (Chrisman et al., 2005).

2.6 Stewardship in the family firm structure

Stewardship was pointed out to be both encouraged and hindered by the family firm's construct (Chua et al., 2009). First of all, family firms were described as offering optimal work environments with elements such as greater job security, trust, loyalty, care systems and greater flexibility for employees than non-family ones (Block, 2011). These characteristics were suggested to foster intrinsic motivation and identification thus facilitating the application of stewardship behaviours (Davis et al., 1997). However, scholars remarked that family-firms are also likely to encounter difficulties when it comes to communicating objectives and goals to external stewards. This is due to their nature not being purely economic but embedded in the firm and family's culture and values (Chua et al., 2009; Sirmon and Hitt, 2003). This different perception of priorities makes it usually harder for stewards to align themselves with the owners' goals and expectations, thus making their probability of failure in meeting their standards higher (Chrisman, Memili and Misra, 2013). Moreover, different non-economic goals will be present in different family firms, thus pushing stewards to focus more intensely on the economic ones (Schulze et al., 2001; Davis et al., 1997). Thus, the knowledge gained from the pursue of non-economic goals in one firm will likely not be applicable in another, as the aims and goals of different families might vary from one another (Gomez-Mejia, Larraza-Kintana and Makri, 2003).

2.7 Agency theory in family firms

For what concerns agency, scholars have remarked that the family-firm construct may be the most efficient one in terms of governance, being naturally resistant to agency issues due to its structure (Kang, 2000). More specifically, private ownership and owner-manager structures imply an automatic alignment of the interests of principals and agents. This natural alignment of interests should spare family firms the need to implement costly measures to separate management and control (Fama and Jensen, 1983).

Thus, Jensen and Meckling (1998), went as far as suggesting that formal governance mechanisms in family firms are not necessary and indeed even represent a waste of resources. On the other hand, Becker (1981) and Stulz (1988), proposed that family firms are as likely to suffer from agency issues as non-family ones, even though the source of these problems might be different. More specifically, studies conducted by Reagan and Stulz (1986) and Jensen (1993), highlighted that private ownership, which is frequent in family firms, might prevent them from exploiting often used mechanisms to overcome agency issues. Efficient capital markets, which reduce monitoring costs by giving a clear overview of the firm's value through its share's price, are often ineffective as control mechanisms (Stulz, 1988). The efficient use of labour markets is also affected by private ownership mechanisms, through sorting mechanisms operated by the employment contracts offered (Schulze et al., 2001). More specifically, family firms are unable to provide employees with the same benefits that public firms provide such as higher-paying jobs or benefits such as stock options, due to limited liquidity and the unwillingness to dilute ownership (Lew and Kolodzeij, 1993).

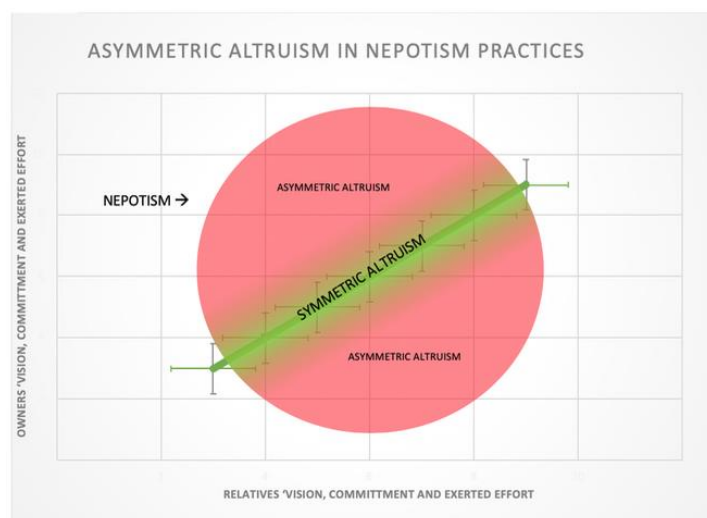
2.8 Hiring policies in family firms and owner's opportunism

This above-mentioned improper labour markets' use has several implications for family firms, among which the lower level of the hired employees caused by sorting and limited competition (Schulze et al., 2001). This limits the size, variety, and quality of the labour pool available to the firm while also augmenting the risk of hiring family members that will behave opportunistically (Mohlo, 1997). Along with traditional agency issues, family firms see also different variations that are due to the peculiarities in their structures (Becker, 1981; Stulz, 1988)

Thus, agency problems that can be identified as principal-principal ones occur when one owner takes actions, that could potentially damage the firm, without the consent of other owners

(Jensen, 1998). Agency problems of the principal-principal kind can also arise due to the presence of non-economical preferences that differ between owners (Jensen, 1998). More specifically, as the utility which is gained by following these preferences is not different from the one derived by sound business decisions, agency problems definable as “owner’s opportunism” can indeed be present (Becker and Murphy, 1988; Thaler and Shefrin, 1981; Perrow, 1986). Owner’s opportunism can however take many different forms and is not always directed to the satisfaction of personal needs (Eddleston, Kellermanns and Sarathy, 2008).

2.9 Owners’ opportunism and altruism practices



Source: Created by the authors of this thesis.

Figure 2: The graph shows that nepotism practices can create both symmetric and asymmetric altruism phenomena. Symmetric altruism is created when the favoured family members “repay” the kindness received by putting effort and showing commitment equal to the one that was previously showed to them or expect from them. Asymmetric altruism phenomena occur, on the other hand, when the vision, commitment and effort of the benefitted family members do not match the ones previously shown to them.

In some instances, owners’ opportunism in family-firms can be found under the shape of altruism practices towards other family members (Schulze et al., 2001). Altruism practices were found to be more common when family management of the firm is associated with ownership, due to the higher involvement of employed family members and the self-control systems implemented (Jensen and Meckling, 1998). Lubatkin, Durand and Ling (2007), building on the work of previous scholars (Schulze et al., 2001) identified three possible categories of parents’ altruism in family firms. The differences between the three categories were identified based on how the assumptions about their relatives’ utility were generated. “Subjectivity”, “inter-

subjectivity” and “trans-subjectivity” thus described possible altruism phenomena depending on if the assumptions about other people’s utilities were moulded from the owners’ own perceptions or were co-produced with the interested parties (Lubatkin et al., 2007). Subjectivity altruism sees individuals as incapable of experiencing interests of others and therefore being obliged to form their views on their utility based on their own (Lubatkin et al., 2007). This view rests on the assumption that owners and family agents are all motivated by the same rewards, usually economic. Inter-subjectivity altruism, on the other hand, sees principals’ and agents’ co-defining their identities and utilities by synthesizing each other’s identities (Hegel, 1806). Trans-subjectivity phenomena consider agents always before the principal, thus predefining owner’s views according to those of their agents (Ricoeur, 1992).

Regardless of how it is formed, altruism affects owners’ utility by connecting their welfare with that of the other family members thus satisfying both altruistic (or other-oriented) and self-centred needs (Lunati, 1997; Becker 1981; Bergstrom, 1995). Parents owners are thus prone to promote their children’s’ welfare out of both, family obligations and own satisfaction, as doing otherwise would lower their utility (Eshel, Samuelson and Shaked, 1998).

2.10 Effects of altruism practices

Altruism practices were also considered to have some positive effects on family-run organisations performances, strengthening family bonds and promoting collaboration among individuals belonging to the family (Eshel et al., 1998). The strengthening of these bonds allows firms to develop a unique history, language and culture that makes it different from all others. These unique mechanisms have been portrayed to foster communication and decision making, along with the commitment to the enterprise and long-term orientation of workers (Gersick, Davis, McCollom-Hampton and Lansberg, 1997; Ward, 1987). In fact, altruism creates self-strengthening incentive mechanisms, which push selfless behaviours and thoughtfulness of family members towards one another. Moreover, it develops a culture of collective ownership while also reducing information asymmetries and fostering conscious risk-taking (Zahra, 2003). Further studies provided empirical evidence which confirmed these assumptions, specifying however that altruism, to yield these positive results, needs to be symmetrical (that is evenly displayed by all involved parties) (Eaton, Yuan and Wu, 2002).

2.10.1 Asymmetric altruism problems in family firms

However, Moores (2009), remarked that some problems may arise due to altruism practices in family firms. More specifically, when altruism is asymmetric, or not reciprocal, it can cause harm to family firms due to a vast array of problems that vary depending on how altruism comes into play (Wright and Kellermanns, 2011; Madison et al., 2018). Adverse selection problems were pointed out to originate from altruism phenomena occurring at the hiring stage when family members are preferred to non-family individuals regardless of the skills possessed (Schulze et al., 2001). Moral hazard problems on the contrary are encountered when differential treatments are reserved to family members in terms of freedom allowed, position covered and compensation given (Chua, Chrisman and Kellermanns, 2011). Moral hazard issues have multiple direct implications on firms' inner work environments, among which shirking and free-riding behaviours of employed family members (Eddleston et al., 2008;). Additionally, the need for parents to give incentives to their employed relatives can also result in modifications to firm's governance structures. Parents owners may in fact be reluctant to implement control mechanisms to reduce the effects of altruistic practices, due to the risk of emotions such as jealousy and the fear of ruining family relationships among family members inside their firms (Schulze et al., 2001). Moral hazard issues resulting from altruism also have indirect effects on individuals' others than the ones directly benefitting from these practices (Schulze et al., 2001).

2.11 Unjust treatment of employees and implications for resilience

Disparities of treatment can give rise to feelings of injustice on the part of both, the employees excluded from altruism practices and those benefiting from them less (Barnett and Kellermanns, 2006). Justice perception was suggested to be relevant in the workplace for multiple reasons (Cropanzano et al., 2001). First, it enhances the perceptions of self-esteem and personal worth, while also heightening the perceived attainment of personal goals. Moreover, a high perception of justice can satisfy the need for belonging and push individuals to become ambassadors to promote the values predominant in the firm's culture (Cropanzano et al., 2001).

2.11.1 Four dimensions of justice

Colquitt, Conlon, Wesson, Porter and Ng (2001), identified three dimensions of justice depending on the affected dimensions, all of which are destabilised by altruism practices. More specifically, individuals perceive injustice by comparing their situations with those of other

individuals both in outcomes and inputs (Adams, 1965). Inputs can be considered as the effort exerted while performing the assigned task in terms of quantity and quality, while the outcome refers to the economic or hierarchical benefits obtained (Greenberg, 2011). Distributive justice, that is connected with the allocation of resources, was suggested to be affected by altruism as wealth is predominantly reserved to employed family members (Colquitt et al., 2001). Procedural justice, which concerns the fairness of the wealth distribution methodologies, is also affected by altruism practices with biased incentive mechanisms favouring family members. Informal justice or the adequacy of the provided explanations regarding firms' policies is also lowered by altruism, as family membership becomes the rationale for resources' allocation. These three dimensions also affect the fourth one, interpersonal justice, which is the perceived respect and dignity of treatment received in the workplace. Organisational justice, even though portraying the overall situation of a firm, was found to be connected with some individual dimensions, such as performance, trust, commitment, and citizenship behaviours (Carmon, Miller, Raile and Roers, 2010).

2.12 Justice perceptions and resilience

The affecting of these dimensions can in turn have implications for the resilience of organisations. In fact, resilience was identified as being affected along with the sociological, political, and economic functions of systems, also by their cultural inner norms (Hofstede, 1980). Moreover, resilience's normative nature, with subjects needing to conform to the ways in which their underlying system is operated and constructed, was also highlighted (Beech et al., 2020). The underlying environment thus affects the ability to learn and adapt of the actors operating in it, developing strategies to sustain and overcome adversities (Fletcher and Sarkar, 2013). This aspect adds the element of dynamism to resilience's definition, as actors operate through time and space detecting, evaluating, and acting on threats affecting the firm (Dalziell and McManus, 2004). This in turn affected aspects of resilience strongly connected with management such as STDM (strategic thinking and decision making) (Beech et al., 2020).

STDM was described as planning across time and being able to understand and use the connections between past and present, aligning resources, and opportunities to be exploited (Beech et al., 2020). Abilities such as STDM were described as the result of a thoroughly designed management system, that includes abilities to understand, plan and implement the

firm's strategy and goals (Thompson and Strickland, 1999). The combined efforts of all the involved parties can be beneficial to the whole organisation as they allow it to develop Familiness elements that differentiate them from others (Ensley, Pearson and Sardeshmukh, 2007). Organisational justice problems are particularly important in family firms as different dimensions such as the business and the family overlap and more than just family members are included (Barnett and Kellermanns, 2006).

Unjust organisational justice policies were pointed out to have different effects on family and non-family members. Researchers remarked that family members experienced stronger obligation and belonging towards the firm, even when organisational injustice was present, compared to non-family employees (Van der Heyden et al., 2005). As cognitive and contextual resilience were both found to rely on interaction among employees for their development, they could potentially be damaged by negative emotions in the firm (Lengnick-Hall and Beck, 2003). Externals and family members alike might express negative emotions towards other individuals (mostly family members) due to favouritism towards them and the feeling of being treated as second class citizens in the firm (Anderson and Reeb, 2004; Daspit et al., 2017).

The unhappiness of family firms' members about the treatment received in their family firms may however result in the unwillingness of future generations to be part of the firm (Van der Heyden et al., 2005). These findings pointed also to the fact that nepotism biased HRM policies raised the feelings of injustice in both family and non-family employees, lowering their commitment and identification with the firm (Barnett and Kellermanns, 2006). Identification with the firm was pointed out to be an important element of both cognitive and contextual resilience (Lengnick-Hall and Beck, 2003). More specifically, cognitive resilience relied on a strong value-driven core identity in employees that gives a directive for organisational changes. Contextual resilience was found to be based on commitment and a shared sense of purpose of employees with the firm (Lengnick-Hall and Beck, 2003).

2.13 Nepotism and Familiness

Familiness is created through the interaction of all the subjects involved in the business and is perpetrated through formal and informal channels used for day to day interactions among actors on all levels (Habbershon et al., 2003). Nepotism can have a positive or negative effect on Familiness thus favouring or hindering its successful development (Firfiray and Mayo, 2017). On

the one hand, the predominant presence of family members eases the exchange of knowledge and the pursuing of the firm's peculiar advantages thanks to efficient communication routes and shared values (Bourdieu, 1986). However, nepotism practices can also create feelings of rivalry between both family members and between members and external stakeholders (Zellweger and Astrachan, 2008; Berrone, Cruz, and Gómez-Mejía, 2014). This is due to the unequal treatment given to family members compared to non-family ones, or to conflicts emerging from the rivalry between family members such as disagreements on the benefit distribution mechanisms (Dyer, 2006). These contrasts created at the interior can result in negative feelings impacting, through perceptions of differentials in treatment, the previously highlighted dimensions favouring Familiness (Bhaumik and Dimova, 2015).

3. Methodology

The section will present the various methodological choices that has been taken while conducting this thesis by discussing and explaining their suitability for our research purpose.

3.1 Philosophy

By considering our philosophical perspectives we will be able to design our study in the most suitable way and in order to strengthen the quality of our study we will first contemplate our epistemological assumptions (Easterby-Smith, Thorpe, Jackson and Jaspersen, 2018). Research

philosophy indicates the broad relation towards increasing the existing knowledge and what currently is acknowledged concerning a specific subject (Easterby-Smith et al., 2018).

Research philosophy is divided into epistemological and ontological perspectives which are argued to influence the results of a research activity. Epistemology indicates the idea of knowing and understanding of a certain phenomenon, while ontology is about the idea of how someone identifies the nature of reality and existence (Alvesson and Sköldberg, 2018). Our research requires an epistemological standpoint since we strive to understand how injustice is perceived and how it influences the family firm's resilience strategies by searching, assessing and questioning the knowledge and assumption of various family firms.

This research will follow a constructionist epistemological philosophy since we base our study on direct observations and personal contacts, mainly through interviews with single organisations but including several respondents. Social constructionism is about how people make sense of the world by sharing what they experience with other people through language. The researchers strive to build their own knowledge and understanding of a phenomenon however accepting the present knowledge and assumptions of the phenomenon. Since we study the perceived injustice among employees, the human interests are the main drivers which is in accordance with social constructivism (Easterby-Smith et al., 2018). Furthermore, injustice between employees is existing, however in an intangible form. Therefore, our thesis will also be following an interpretivist viewpoint which refers to examining and understanding a social phenomenon and finding intangible facts (Lee, 1991). Interpretivism mostly requires qualitative research methods such as in-depth interviews when conducting research (Thompson, 2017). We perceive that interpretivism is suitable for our thesis since we aim is to understand how nepotism practices affects a family firm's capacity to achieve resilience.

3.2 Research design

In our investigation of certain literature, we identified the concept of injustice treatment of employees and found that there is a gap that still is in need of being further researched. Therefore, this study will be conducted in an exploratory nature that strives to gain a deeper understanding of how nepotism practices affects a family firm's resilience (Saunders, Lewis and Thornhill, 2009).

Holme, Solvang and Nilsson (1997), argue that researchers should choose the research method while considering the research question and purpose of the study. Considering the nature of our study, this research will adopt a qualitative method. By implementing a qualitative research method, we were able to gain a deeper understanding from different individual perspectives regarding our research topic (Easterby-Smith et al., 2018). Furthermore, we predict that we will deliver the required complexity of this topic in order to answer the main research questions by applying this method. We consider a quantitative method unsuitable for this study since it focuses on larger-scale analysis and the required information and knowledge of our research topic could be missed out.

This research will apply an abductive research approach which is a combination of deductive and inductive approach (Gummesson, 2000). When building theory, we were simultaneously able to gather information and data that allowed us to be flexible in the process of data gathering and switch in-between the theory building and the data collection. The process of switching between the two is mainly done to make changes and adjust the theories according to the unforeseen empirical interpretations (Dubois and Gadde, 2002). The risk when applying an abductive approach is that researchers could end up creating a theory that removes additional potential interpretations (Patel and Davidson, 2011). There is existing research regarding our topic, however, we found a lack of research when it regards the perceived injustice of employees in family firms and its effect on the firm's resilience. Saunders et al. (2009), state that in cases where we investigate a topic with existing research from a different perspective, abduction is a suitable approach to implement, that will enable us to use traditional concepts and make adjustments while conducting our research.

3.3 Data Collection

The primary data collection for qualitative studies can be completed through interviews and interpretations since the aim is to access reliable and accurate information regarding a topic that will create value to the purpose of the research and facilitate to answer the research question (Merriam, 2009; Silverman, 2006). To increase the quality and trustworthiness of this study we had an objective and reflective mindset when gathering the primary data in terms of semi-structured in-depth interviews (Alvesson and Skoldberg, 2018). In fact, data was collected trying not to influence the interviewed subjects in any way, while also continuously analysing the

collected information. By gathering primary data through interviews, we were able to observe the respondent's feelings, behaviour and obtain their point of view regarding their environment (Ghauri and Grønhaug, 2010).

3.3.1 Purposive sampling

To ensure the quality of this research, it is essential according to Burgess (1991), to start with choosing the components that will be investigated and analysed, which is referred to sample. There are two types of sample categories presented by (Merriam, 2009; Easterby-Smith et al., 2009): probability and non-probability. Non-probability is suitable when the researchers attempt to identify the cases that are suitable to investigate for the purpose of their study and testing theories. Considering the purpose of our research which is to investigate the perceived perception injustice of employees and how they believe it affects the firm's resilience from different standpoints, we chose to implement a non-probability sampling design and a purposive sample strategy. This method allowed us to generalise the theories from the observation of sample interviews and viewpoints. The purposive method refers to when researchers hand-pick the respondents that are believed to be suitable for being interviewed for the study (Denscombe, 2014). It is argued that the purposive method mainly is applied when the purpose of a research is to discover, gather detailed information, or generate understanding (Merriam, 1994). By applying the purposive sampling, the researchers create certain criteria considering the purpose of the study, these criteria have to be fulfilled by every respondent to be suitable for the study. Consequently, we created a list of criteria for our respondents.

The criteria we created were based on the purpose and research question of this study, which facilitated to determine the suitable respondents that were to be interviewed. The first group of criteria is regarding the selected companies. The first criteria in this group is that all the companies must be family firms. The second criteria refer to the size of the firm, which is limited to SMEs. The third criterion refer to that the firms must contain both family members and non-family members. The last criterion in the first group is that the firms cannot be publicly listed since the involvement of external stakeholders might limit nepotism phenomena and prevent their observations. The second group of criteria is about the actual interview respondents where the first criteria is that both family and non-family members will be interviewed. The second criteria is that respondents have to be involved in the business for at least three years, the amount

of years is chosen to make sure that our interviewees have been working for the firm for enough time to obtain the required knowledge to be able to answer our questions. This time span will ensure their understanding of the phenomena occurring in the firms where they work and their impact on firms' resilience. To investigate the phenomena of nepotism on all levels of the firm, the third and last criteria is that the respondents are chosen from multiple levels within the firm structure.

After having established the criteria for our interviewees we started to search for companies that could be interviewed in this research. We started by asking our network which included our families and friends if they knew companies or knew people that could provide us with any contact information that could help our process of finding interviewees for our research. This resulted in that we received six interviews that were suitable for our study, who also passed the list of our criteria. Furthermore, we searched for potential companies to interview on the internet and made a list of family firms that we thought could be suitable for this study. We contacted some of the firms by phone but noticed that they were too busy and rejected to participate in an interview with us, so it was decided to email the firms. The majority of the firms rejected our interviews mainly due to the current situation around the world with COVID-19, which has caused difficulties and challenges for them. Some firms argued that they would have agreed to participate in an interview however were not willing to do it through skype or phone, and due to COVID-19, they were not willing to book a meeting at their offices. However, through the process of emailing potential interviewees, we managed to book two more interviews from a firm that were completed face-to-face.

We furthermore had to limit ourselves in terms of face-to-face interviews due to COVID-19, even if there were no barriers in terms of geographical distance. In the process of gathering and completing the interviews, we noticed in the sixth interview that the answers to our questions from this interview were similar to the previous interviews. While doing the seventh and eight interviews, the answers on key questions were also similar with only slight differences. At this point, our empirical data gathering had reached the point of saturation. However, in an attempt to gain greater knowledge and new insights within our research topic we began to search for family firms that were larger in size since we believed that the point of saturation was reached due to the size of our current interviewed firms. One firm responded by accepting to participate in an

interview but were only able to provide us with one interview due to the situation with COVID-19 which had taken damage their business and they currently were in a restructuring process which resulted in limited their time. Since one of our criteria is to include one family-member and one non family-member in our interviews, we did not complete this interview. One of the firms that we interviewed stated that spending 60-90 minutes in this interview costs them 10.000 Swedish crowns in this difficult situation which highlights the difficulty to book interviews with larger firms since even smaller firms are experiencing difficulties due to COVID-19.

3.3.2 Interview structure

The primary data for this study was gathered through interviews with family firms which allowed us to gain a greater understanding of their perspective regarding our research topic. The information received from the respondents through communication was interpreted and analysed by us and further used in the chapters of empirical findings and analysis (Easterby-Smith et al., 2018). The methods chosen for gathering our primary data were both face-to-face interviews and interviews through Skype. Easterby-Smith et al. (2018), states that face-to-face interviews are suitable to implement when researchers aim to gain a broader and deeper understanding of a phenomenon where people might perceive particular information as sensitive. With face-to-face interviews, we were able to access some undisclosed information through body language responses. Considering the purpose of our study and the sensitivity of some information we choose to complete as many face-to-face interviews as possible. Interviews through social media such as Skype were completed due to the current situation with COVID-19. All these methods of data gathering are considered to provide detailed and trustworthy information (Merriam, 2009). As a result, four interviews completed through Skype, while four interviews were completed face-to-face at the office of the firms. The average length of the interviews was between 60-90 minutes, which in total resulted in 10 hours of empirical data.

3.3.3 Interview strategy

Considering the purpose of our research, we need to access detailed information to answer our research question, which requires flexibility in the primary data gathering. It is argued that semi-structured interviews are not standardised in terms of questions' type and order, as the structured construct (Saunders et al., 2009). The aim of semi-structured interview questions is to ask questions that will develop a two-way communication that will facilitate to obtain more detailed

information for answering the research question (Yin, 2014). By having semi-structured interviews, we were able to receive open answers from our respondents and be flexible during the interviews by asking follow-up questions which helped to develop a discussion and improve the reliability (Fitz-Koch and Nordqvist, 2017). We perceived a need of having some kind of structure in our interviews due to our limited experience of completing interviews and therefore eliminated the unstructured. Additional reasons for not having structured and unstructured interviews are that structured interviews would not allow flexibility and could limit accessing valuable information, while unstructured interviews could result in incomplete data (Longhurst, 2003).

When we contacted family firms for booking interviews, we gave them the opportunity to receive our interview questions in advance which was done to give them time to prepare for the interview. The interview questions were handed out in the language the subjects were most comfortable with. By providing the questions in advance, we were able to receive more detailed and relevant information for our research. Our interview questions are written in English, however the interviews were completed in two different languages, Swedish and Italian, where the questions were translated into these languages during the interviews.

Prior to completing the interviews, we prepared a list of pre-formulated questions regarding the different theories and subjects that are presented in the chapter of literature review. The questions were formulated according to the semi-structured strategy which allowed the respondents to elaborate on most of the questions. This way of formulating our interview questions allowed us to receive demanded information regarding our research topic in a way that will facilitate the analysis of how injustice perception is among employees and how it affects the family firm's strategies to achieve resilience.

When we started every interview, we first introduced ourselves including our programme and our aim with the interviews. Afterwards, they introduced themselves and we had a shorter general conversation to fall into a comfort zone with each other. Later, we went into the interview where questions regarding their background, their current position and the relationship to the firm owning family were asked to obtain as much information as possible about the respondent and the firm. Afterwards, we went into asking the more detailed questions about nepotism practices within the firm and its effect on employees and the firm itself. Closer to the

end of the interviews, we asked questions regarding resilience and how they believe that it is affected by nepotism practices that are present in the firm. When the interviews were finished, the respondents were informed regarding the future procedures of our study such as the fact that they will receive the transcribed and analysed text to ensure no misunderstandings have been made.

3.4 Data analysis

Grbich (2012), argues that the aim of thematic analysis is to classify and structure the gathered information from in-person dialogues or audio recordings to more precise and organised pools of data. Every interview that was completed for this study was later transcribed and gathered in a document to ease our thematic data analysis process. Researchers should create themes, find and explore patterns between the themes, with the purpose of contrasting, evaluating and integrating discoveries (Easterby-smith et al., 2018). Considering the purpose of our study, thematic analysis was applied to this study in order to recognise, investigate and interpret patterns of themes within our qualitative data gathering. This, in turn, gave us a greater understanding of our research topic from our respondent's point of view and facilitated to answer our research question (Clarke and Braun, 2017).

(Clarke and Braun, 2017: Chapman, Hadfield, Chapman and Chapman, 2015), argue that applying thematic analysis does necessarily not demand development of new theory and can rather be applied as a constructionist method to investigate realities, experiences and meanings through finding patterns in the data in accordance with our research question. While analysing our empirical data, we did not start with predetermined categories of themes where the data was divided into, rather the themes were created while investigating and analysing the actual data. Thematic data analysis is an incremental process divided into six phases in which the data has to be analysed. The first step is that we have to familiarise ourselves with the empirical findings, further generate initial codes, search for themes, review the themes, define and name the themes, and lastly, produce the report (Braun and Clarke, 2006).

We started with the first phase of the thematic data analysis by reading through all the transcripts of the interviews and taking early notes of important information related to our research question. By reading the transcripts we started by grouping the data into different categories in regard to our research purpose which later facilitated to analyse the data. Furthermore, by

reading the transcripts that were put into a separate document and by continuously keeping our research question in mind we started to create our first level of codes. When we were through the first level of coding, we started to investigate all our codes to see if we had overlapping codes and further to connect the common or similar codes. Later we started the second level of coding where we investigated all first level codes and grouped them into 13 different categories of codes which later resulted in 5 different categories: market size, moral hazard and adverse selection problems, family firm construct, nepotism, and lastly resilience.

The table below presents the process of how thematic analysis was implemented by showing how the two levels of codes were developed from the answers to our interview questions which later was developed into a theme.

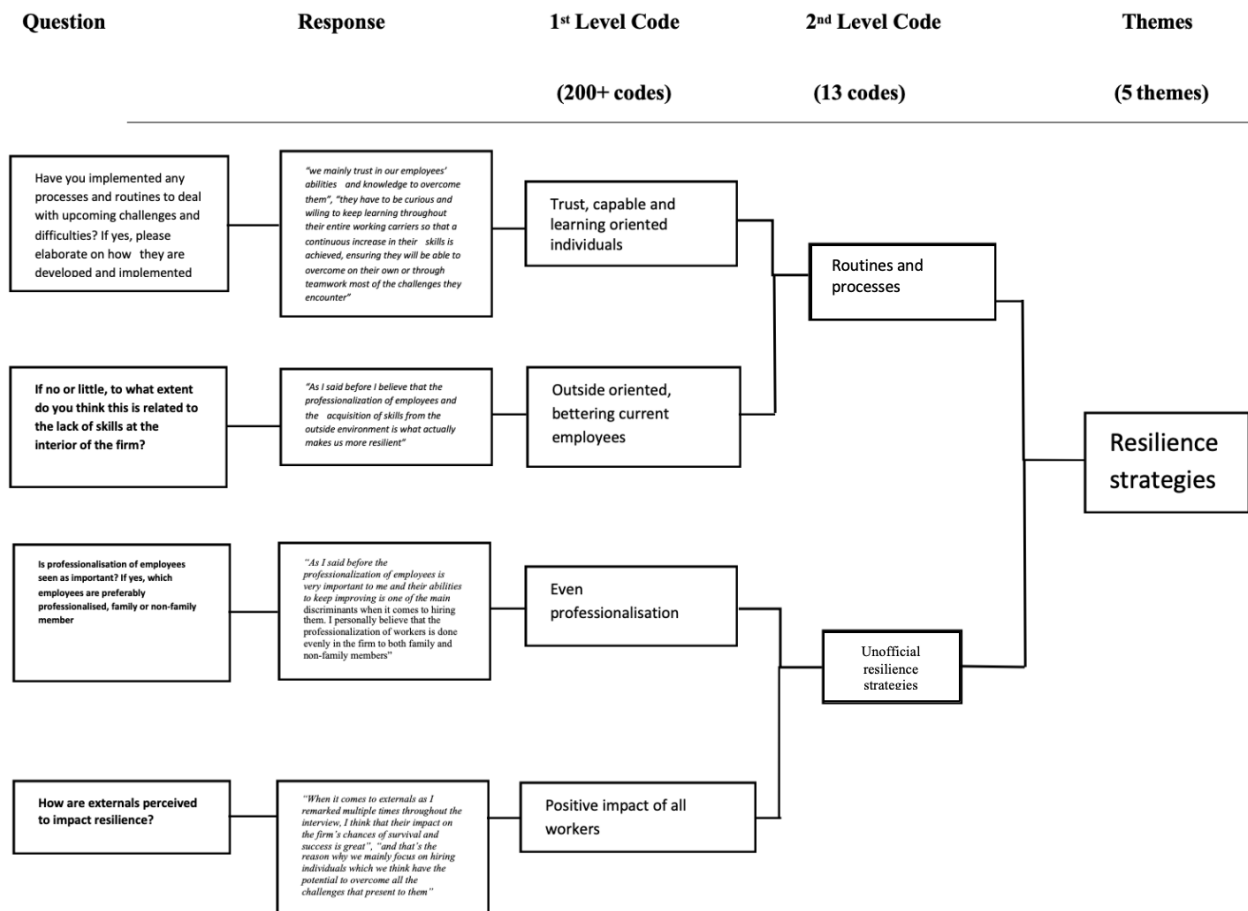


Figure 3: The process of thematic analysis showing the coding and development of themes.

3.5 Research ethics

There are four principles that can be followed to consider a study ethical presented by Denscombe (2014), where the first refers to the protection of the interviewee's interest. All our interviewees were treated with respect and offered the opportunity to be anonymous and the interviews were only recorded with their acceptance, to show that we care about them and do not want to harm them personally, mentally or physically. All the gathered data was further carefully handled to avoid having a harmful influence on the participants. The second principle concerns the freedom that the interviewee has to participate or not in the interview and to provide them with required information that would facilitate for them to decide whether to partake in the interview or not (Denscombe, 2014). When we first contacted our interviewees, we provided them with all the necessary information regarding the interview including the research area, suggested a date for completing the interview, approximate length of the interview and if required, we also sent them our interview questions. Consequently, the participants had enough information to decide whether they wanted to participate in an interview with us or reject it.

The third principle concerns the transparency of the research. To end up with a transparent study the interviewees must have great knowledge about the research area and the researchers must provide a rational explanation of the gathered data (Denscombe, 2014). To maximise our transparency of this study, we informed our interviewees of our purpose with the study and that their shared knowledge will be part of our empirical findings. To ensure that no misunderstanding has been allowed in the transcription of the data, all respondents received the transcribed text of the interviews that was reviewed by them. By this action, we ensured that all empirical data within this study is fully transparent. The last principle refers to that a study has to be according to the national legislations and concerns sensitive research areas where the process of data gathering, and the analysis of the data could consequence in performing against the national law. To avoid acting against the national legislations and to ensure that property rights have been followed, we have throughout this paper referenced to every source that has been included within this study. Furthermore, when looking for interview participants, we aimed at finding fully transparent companies that have and follow their policies.

3.6 Trustworthiness

The quality and trustworthiness of this study is depending on us as researcher's, the way we approach this research, and to increase the quality of this paper we tried to be as transparent and reflexive as possible which according to Easterby-Smith et al. (2018), represents a high-quality research. Qualitative research as ours needs to be managed based on trustworthiness, which is examined by the credibility, transferability, dependability and confirmability (Lincoln and Guba, 1985).

In order to be as transparent as possible in our empirical data collections and to provide the actual meanings of our interviewees, all the completed interviews were recorded. Furthermore, during the interviews, we asked follow-up questions to make sure that we have understood the delivered information correctly. By doing so, we were certain that we have understood the respondents correctly and were able to deliver their point of view in this study. To strengthen our confidence in the accuracy of our observations and to ensure the validity of this research we used different methods of triangulation which is described by Denscombe (2014), through stating that a study is greater understood from various perspectives. To obtain a greater understanding of our research are, we interviewed different people from different family firms to receive information regarding our topic from various viewpoints. Furthermore, we have interviewed different people from different family firms to receive information regarding our topic from various viewpoints. Furthermore, to confirm the understanding of our empirical data, this study is completed by two authors where both have been involved in the development of this paper in terms of interpretations and individual viewpoints. To increase this paper's transferability, we in detail present how this study has been completed in terms of methods and processes that have been applied when choosing our interviewees and analysing the data. This study is directed towards a specific topic, however, we believe that the results and findings of this research also could be applied to other contexts and situations except from family firms.

We have taken several actions to increase the dependability of this paper, however, Denscombe (2014), argue that it is difficult to predict if a qualitative study can be repeated by others with a guarantee that they will end up with the same finding and results. Moreover, we have clearly provided and motivated the various choices that have been taken when choosing different methods and theories to conduct this paper. This, in turn, provides other researchers a greater

understanding of how our study is completed and will facilitate to determine the dependability of this research. Furthermore, we followed a clear methodology when interviewing our participants which also rises the dependability of this research. To increase the confirmability is our research and to ensure that no misunderstandings were made by us, all the transcribed interviews were sent back to the respondents for them to review and make sure that everything was correct. Validation of the interviewee is important and strengthens the reliability of a study since if our empirical data had been misunderstood by us, we could have had a biased result (Merriam and Tisdell, 2016).

4. EMPIRICAL FINDINGS

The aim with this chapter is to provide the gathered empirical data from the eight interviews from four different firms completed in this study. After the analysis of the gathered data, we isolated thirteen subcategories and five themes which will be explained more in detail in the upcoming paragraphs. The table below shows a brief representation of the main categories isolated during the coding process: family firm construct, market size and characteristics, resilience, nepotism and asymmetric altruism.

Themes	Description
Family firm construct	Different aspects of the family firm construct considering both the official managerial structure and the perceived construct. Emphasis is put on which is considered best to promote resilience.
Market size and dynamicity	How market size and its dynamicity affect the ways the firms' organizational ways.
Resilience	Routines, processes and other official and unofficial resilience strategies and how they affect the firms' abilities to remain competitive.
Nepotism	Different aspects of nepotism, such as hiring policies favouring family members in both hiring and successive stages.
Asymmetric altruism	Different instances of asymmetric altruism concerning both family members and non-family members and their impact on resilience.

Figure 4: Summary of the themes developed through the thematic analysis.

4.1 Presentation of the firms

4.1.1 Company W

Company W is a small family firm operating in the construction industry in the southern part of Sweden. The company takes care of the actual building processes and other tasks such as renovations and demolition. The firm was launched back in 2007 by the founder himself and as the firm expanded the number of employees was increased. The two sons of the founder entered the firm in 2015. The owner and founder of the firm is still active in the company even though successive generations also joined in. The number of workers varies based on the amount of work available through on-call contracts while also employing full time nine employees. Six of these do not belong to the family while the number of involved family members is three. We interviewed the owner and a full-time non-family employee employed as a carpenter.

4.1.2 Company X

Company X is a family firm in the construction industry selling equipment and material to firms operating in construction. The firm is also based in southern part of Sweden and is currently run by the founding family and has three family members involved. There are four non-family workers present, employed in different tasks such as warehousing, shipping department and delivery. The founder had previously been working within this industry for over 20 years and back in 2005 decided to launch his own company that would be more focused on service during and after sales which he believed to lack in the companies that he previously worked in. The interviews in this case were carried out with the founding owner portraying the family view and a worker employed in the management of the warehouse where products are piled up and shipped.

4.1.3 Company Y

Company Y is a small family firm operating in the catering industry in the central part of Italy. The firm operates only inside the region of Lazio and employs seven full-time employees and five more through on-call contracts in the seasons of highest work rates. The firm was founded by the current owner's father and included, up until 2019, the respondent and his brother both employed as owners-managers. When we carried out the interview however both the founder and the respondent's brother had already left the firm. We interviewed the business' owner and a full-time employee.

4.1.4 Company Z

Company Z is a medium sized family firm operating in the dental prosthesis business in the outskirts of Bologna. The company started out selling dental prosthesis to professionals such as dentists and clinics in Italy through brokers and middlemen. It later internalised this task becoming in charge of both production and sale of its products. The company employs around 50 full-time employees (founder excluded), 6 of which are related by blood ties to the founder. The firm is owned with equal shares by the founder, his wife and their two sons who are currently employed as managers of production and sales departments respectively.

4.2 Family firm construct

In this section, the highlighted category of the family firm construct is taken into consideration along with its subcategories, identified as the real implemented construct and psychological construct. The first category takes into consideration the actual organisation of the firm, highlighting if the company considered is identifiable (or not), as a family business based on its actual management and ownership structures. The management/ownership structure was found to be considered directly connected with lower levels of nepotism practices and increased performance in only one firm, namely Z. On the other hand, the second category considers dimensions not related to the official firm's construct but rather to more intangible dimensions. Examples of this were the family atmosphere in the workplace and the relationships with the owners. These aspects at the interior of the firm were found to be connected with overall lower effects of nepotism practices, better implementation of resilience strategies and higher achieved results in terms of perceived efficiency in all the surveyed firms.

4.2.1 Actual construct

This subcategory contains all the interviewed individuals' expressed opinions on the managerial construct of the firms they managed or where they are employed. The answers varied greatly from employee to employee while they were more standardised among owners. Interviewed workers described, especially in the smaller firms, different aspects as defining their firm as a family business. In fact, *"the low number of employed individuals inside of the firm"* as the discriminant remarked by the surveyed worker in Y that made the firm a family one. The surveyed worker in W remarked the name of his boss matching the one of the firms being the sign of the enterprise being a family business. For what concerned the owners, the answers were all related to the founding of the firm such as *"I was the one to build it and now my two sons are involved in the firm as well"* as remarked by the interviewed owner in W. In X and Z respectively it was argued that *"he is the one who saw a business opportunity and was able to take advantage of it"* and to the continuation of the business carried on by the heirs *"my sister and me took it up..."*. Finally, the involvement in the business of the generations successive the founding one was also highlighted by the owners as making the firm a family one (Y). In most cases, this aspect was not considered to be beneficial to avoid nepotism practices by both owners and workers. In fact, all the workers and three out of four owners in the surveyed firms did not

highlight the actual construct as being vital to ensure the firm's success and survival. Only one of the interviewed owners, belonging to the firm Z, remarked that *"I think that having my son and daughter working with me makes it way easier to organise the work... there are no language barriers in terms of misunderstandings that result in conflicts, and it is just so easy to communicate."*

4.2.2 perceived construct

The subcategory perceived construct contains all the perceptions of both workers and owners about what makes the company a family business in terms of the working environment and personal relationships at its interior not related to the actual management structure. Different ideas were collected from owners and workers, with the former giving the guidelines on how a productive environment could be created. In Z, the owner reported *"feelings of trust and the empowerment of the workers are key to ensure they feel an active part of the firm"*. In X and Y, the owners reported that more than empowerment of workers it was *"the creation of open communication"* and *"incorporation of workers in the firm's and family structures"* that improved the working environment. In W the owner reported to be convinced that considering workers *"as extensions of the family"* was the best way to create a productive working environment.

The workers confirmed what was said by the owners, remarking similar elements affecting theirs and another worker's performances. The definitions ranged from the personal relationships with the owner such as *"I know him (the boss) ... I know what to expect"* remarked by workers in Z and W. The perceived environment and working atmosphere in the firm were emphasised by the worker in X, which reported *"it's almost as if I worked in a second home, I have a new family here"*. All the respondents, being workers or owners remarked perceiving the inner construct, and especially the atmosphere inside their firms, as vital to ensure the successful operations inside of their firms.

4.3 Market size

The analysed firms operated in markets that differed both in geographical locations and industries. In fact, even when the geographical market was the same for two different firms, the industries and firms were different, so that different conclusions were achieved conducting the same analysis. For the market, we considered the physical place where the firm's main activities

are located, such as production facilities and customers. Three of the interviewed firms reported conducting their operations in one market only while other confirmed to have business in more than one. The belonging to a single or multiple market, determined differences in the responses obtained later on in the interviews for what concerned resilience strategies. The firm operating in multiple markets showed better organisation and clearer policies of implementation for what concerned activities deemed strategic to its successful management. The ones operating in one market only, on the other hand, showed less structured and more fragmented policies concerning their organisation. The main subcategories present in this section are the complexity of the market in which firms are operating and their being active in one or multiple markets.

4.3.1 Single market

The respondents who reported to be operating in a single market were the ones that belonged to the smaller enterprises, with an average number of workers per firm in this category never exceeding 15. The firms that fall in this category are the ones operating in the catering industry in Italy and the two in construction in Sweden. Due to differences both in firm and industry, the results obtained differed even when two firms shared the same geographical location. In fact, one of the respondents reported their industry to be a dynamic and unpredictable one, while others reported it to be cyclical in terms of variations. The Italian firm in catering and the Swedish one involved in actual building reported the greatest cyclical variations during the year in terms of business volume. The firm involved in the sale of construction material, on the other hand, showed a steadier pattern of activity during the year.

4.3.2 Multiple markets

The firm operating in more than one market was the one identified by the letter Z, operating in the dental prosthesis industry. This firm reported the highest number of employees, both working in the firm on a steady basis and only seasonally. In fact, the number of reported employees was fifty, with the number of family members involved being higher when compared to the single market firms. As the firm possessed more than one facility where operations are carried out, in order to obtain more insights on the processes of interest involving the family, we conducted interviews in the facility where most family members were employed. The results showed more structured organisational policies when it came to the inner organisation of the firm. In fact, a stricter division of labour was highlighted by both owner and worker. *“we are assigned areas*

(markets) based on our skills and background, [...], having studied languages such as Chinese, English and Spanish. I take care of the Asian and part of the European markets”. The worker remarked however that rotation was also implemented for what concerned tasks, with some customers being served by different workers on different occasions. The owner remarked this to be useful in terms of professionalization while the worker argued it caused confusion in customers while hindering specialization of workers.

4.3.3 Dynamicity of the market and job complexity

Differences were also found in the firms depending on the dynamicity of the markets in which they were operating. The pattern analysed showed that the firm operating in more than one market perceived its industry to be a complex one. It was also found to value the competences of workers more than the ones operating in simpler, unique settings. In fact, the interviewed owner in Z said *“we have no resources to waste on incompetent people, no matter who they are... if my son and daughter were not competent or motivated enough, I would not have let them into the firm”*. Moreover, the firm stating to operate in a complex market was also the one that reported having more structured organisational strategies. More specifically, the organisation and formal policies implemented were specifically directed at creating an environment capable of designing formal strategies to overcome future challenges, while in smaller firms operating in only one country this rigid planning mentality was not present. Both workers and owners at Z confirmed *“we do need to plan in advance and look at the bigger picture... having customers in multiple markets forces us to be aware of what is going on anywhere in the world and to have procedures to come up with solutions”*. For what concerned the companies operating in single markets, the owner at X said *“we do not really have any formal procedures...we need to stay flexible to be able to change our operational ways whenever we need it. the job is not that complicated to need fixed guidelines anyway”*. Similar remarks were also made by the owners at Y and W and by all their interviewed workers, which confirmed in all cases the owner’s view.

4.4 Resilience strategies

This part describes the theme resilience and its subcategories such as routines and processes, unofficial resilience strategies and altruism’s effects on resilience. According to our respondents, importance was attached to be resilient and be able to develop processes and have the capacity to adapt and deal with upcoming difficulties and challenges to ensure their survival. The results

from our interviewees show that every firm has its own routines and processes that are implemented to deal with upcoming difficulties and challenges.

In this subsection, the different resilient strategies applied in the analysed firms are presented. We differentiated between resilient strategies applied at a firm's level as formal business strategies and the resilient strategies applied as informal procedures or "unofficial resilient strategies". The business strategies applied on the firm's level and the ones at the individual one did not show any significant difference in effect on the firm's resilience. Both were found to be beneficial to the development of resilient capabilities inside the considered firms, as resilient strategies at the firm's level gave better direction to the employees about the common aims and strategies to follow during operations. At the individual level, on the other hand, they were found to provide inspiration and support to motivate single workers in obtaining the required results.

4.4.1 Routines and Processes

To obtain a greater understanding regarding our respondent firm's resilience, the question was asked whether they have implemented any routines and processes to deal with future upcoming challenges and difficulties. All the interviewed owners reported that they had some processes and routines that are developed and implemented to ensure their survival and deal with their competitors. The main difference was reported in how complex these processes and routines were, with the owners of W and Z reporting the most articulated ones. Firm's W owner argued *"When the firm was launched many years ago, it was hard to find the first customers, so it was decided to set some rules that always had to be followed in order to develop and grow the business. The rules mainly included some basic guidelines that most companies have which refer to respect towards the customers, always take the customer's interest first, do not focus on earning money rather work for satisfied customers [...]. These rules also include various processes when doing the actual work, which according to me has helped the survival of the firm"*.

Z's owner also reported having implemented routines and processes mainly to face the growing complexity encountered as his firm grew. The main routines were *"steady professionalisation of employees and rotation of tasks"* to *"ensure employees increased their skills in time both through formal training and through division of work"*. He also remarked *"once employees are professionalised and made able to make decisions on their own, the work I need to put in to*

actually devise strategies to ensure the firm's success is greatly reduced". Y's owner remarked, due to his firm being a small one that "being a relatively small firm, I do not think our structure and inner processes are capable of supporting too complicated strategies". He however, reported perceiving the hiring processes to be a type of process fostering resilience as hiring the most suitable individuals helped in achieving a more productive work environment. He reported "if employees show that it is worth investing in them, it is a huge step forward towards their hiring. I do not waste my money and time on individuals that do not initially show an amount of potential that I consider the minimum to ensure they will be successful employees"

Emphasis was however put on the strength of the potential fit with the owner's personality, as the characteristics of the work environment forced them to work together. Y's owner stated *"I believe that especially in small firms like this one, where the owner works closely together with employees, the dynamics in the workplace are such that employees are often required to do things I would do before I actually tell them to do those things".* He also remarked *"it is as if they need to be able to read my thoughts before I express them. I do not think this would be possible without a strong behavioural fit between them and myself".* The interviewed workers confirmed what reported by their owners also agreeing with the choice of the implemented resilience strategies in three cases out of four (Y, W and X). The worker in firm Z however, distanced himself from the owner for what concerned the effectiveness of the resilience strategy applied. More specifically, he reported *"I believe better organisation in tasks could be beneficial for the firm as constant rotation creates confusion both in employees and customers who always have to interact with a different individual. I do believe that professionalisation plays a vital role though and is carried out very effectively on all employees".* There was no significant difference between the answers from family or non-family members since the routines and processes were the same for all within a specific firm.

4.4.2 Unofficial resilience strategies

All of the interviewed owners specified also the attitude towards employees to be something beneficial for the achievement of resilience through informal means. There were multiple means highlighted by owners even though all connected with the building of personal emotional ties with the employees. These were highlighted by statements hinting to the strife to achieve *"integration of workers inside the family structure and rites"* (W), *"trying to merge work*

relationships and friendship to create stronger hybrid bonds” (Y). He also said that communication between him and his employees and cooperation among employees was what filled the gap of more articulated strategies. Proof of this were opinions like the following statement from X’s owner *“I personally believe the firm never had any set-in stone strategies... we certainly have guidelines for work ethics but not much more”*. Again, firm X’s workers remarked *“we organise ourselves mainly through daily interaction, we are able to communicate very effectively among ourselves so that there is no need for us to develop too strict rules”*. Owner of firm Z argued that, *“I believe that to make people care, you first need to make them feel like you care for them”*. Additionally, he stated *“attachment to the firm is not created with monetary incentives. I think that the most efficient way to make employees passionate about what we do here is through strong personal bonds”*. X’s owner did not distance himself from the other owners reporting *“that we are all on the same boat, of which we all share the control over the steering wheel”*. X, W and Y’s owners remarked that due to the size and resources of their firms, no other strategies were available to them that could yield the same results in terms of cost-efficiency for boosting employees commitment and efforts.

The interviewed workers in all firms confirmed the utility gained by these unofficial resilience strategies. Workers in firms Y, X and W reported feeling them to be the most used strategies inside of their firms as no official procedures were applied with the same capillarity in their organisations. Workers in firm Z argue *“I believe they are very useful to complement the managerial structure we possess. Unofficial procedures alone however would not probably allow us to manage the firm as well as we do now”*.

4.5 Nepotism practices

This section will present the empirical findings regarding nepotism practices and their underlying categories such as hiring policies, competence/position and commitment, and altruism. Our empirical data shows that nepotism practices are occurring in some family firms and have various influences on both the employees within those firms and the firms themselves. Where they occurred, nepotism practices have according to the interviewees influenced the firms’ competences and their resilience capabilities.

The firms operating in single markets reported higher incidence of nepotism practices, highlighted especially by the workers. The only owner not reporting any nepotism practices was

X, while Y remarked having experienced this kind of occurrence in the past. The owner of company W highlighted the presence of nepotism practices in the firm since the employment of his son was not in accordance with the hiring policies that he used to follow. Interviewed workers confirmed what was said by Y, X and W, so that there was convergence in the opinions of both workers and owners. The firm operating in multiple markets, even with a higher number of family members involved, less prominent nepotism practices. The owner of the firm responded accordingly “[...] I cannot actually say I am aware of any opportunistic behaviour. To me, we all work the same...” and “I treat all employees the same, no matter their family name. I expect the best from all of them at all times”. In fact, both the answers obtained by worker and owner pointed in the same direction, negating the presence of preferential treatment towards family members causing negative effects for the firm as a whole.

4.5.1 Hiring policies and impact on resilience

We asked our interviewees regarding hiring policies and process of selecting and evaluating new employees in their firms. The answers were similar from all the owners’, as at present all the firms implemented strict and multistage hiring policies. The owners in Z remarks were similar to W’s owner who argued “First of all, when we hire people, we always look at their personality, their passion, and if they are willing to work and learn the stuff that they have no experience of.” “It has always been important for us that the employees are willing to learn, even if a person is not highly experienced or educated but we see that he or she is willing to learn, that person will always have a chance”. The owners in Y and W, due to the nature of the performed labour, remarked work ethic and orientation to self-sacrifice to be the main discriminants when considering hiring individuals. The owner in X stated that “to be a potential employee in my firm, one individual must be willing to work hard. If they are willing to do so then there is a strong chance that they are also in line with the culture in my firm”. All the firms that participated in our interviews had their own policies, however, individuals’ personality was of high value for all firms’ owners.

In the workers perspectives, the majority of the answers to the same question were similar, since when applying for the job, and sitting on the interview, most of our interviewees noticed that their experience and skills were not the main aspects of focus. Rather the focus was set to be on their personality and behaviour. Workers from X, W and Y reported having been interviewed by

family members only, confirming the overwhelming preference of family members on their attitudes and personality rather than their actual skills. The surveyed worker from Z highlighted some emphasis being put on his skills and abilities but he also stated that this did not come from the owners. In fact, he reported *“different family members carried out the job interviews. All put emphasis on my personal inclinations and attitudes [...]. I believe they later shared their views on me while deciding on whether hiring me or not. The evaluation of my actual skills was carried out in the last interview and by an external consultant”*.

However, when it came to the employment of the family members, firms Y and W reported having implemented, in the past, different hiring processes from the ones implemented in Z and X. The interviewed owners from Z and X, remarked no favouritism was ever shown to family members throughout their history, as all employees were evaluated in the same way. Y reported having had problems in the past due to biased hiring policies favouring family members. As confirmed by both worker and owner, such policies were later dropped and the favoured individuals fired, with all employees now being evaluated using the same policies. W has still problems connected with the hiring policies applied in the past as favoured family members, whose hiring was the result of an evaluation not as strict as the one carried out on externals, are still involved in the firm.

4.5.2 Competence for the position

In order to expand on the effects of nepotism deriving from underperforming workers, questions were asked whether the various position within the firm that are covered by a family member are in line with their competences. The obtained answers differed from firm to firm and from family members to non-family members. In firm W, both the owner and the worker remarked perceiving family members hired not because of their competences. More specifically, the owner argued *“When my son joined the firm, he did not have any previous experience of working within this industry. However, he still got the job and by time I taught him everything that he needed to know and made him a professional, so now he manages all his duties without a problem”*. The owner in firm Y reported having experienced damages in his firm due to low competences of hired family members. Firm X’s owner reported employing family members only if capable of carrying out the task assigned, following therefore similar policies for both family and non-family employees. The interviewed owner from firm Z and W, on the other hand, reported

themselves having employed family members even though they did not possess any background for the task. The owner from company Z remarked *“it would not make any sense to force them to fill any particular role if they did not like it. I feel they will be more productive doing what they like, as in time they will learn how to be effective even with no specific education. Plus, I am here to guide them for as long as they need”*.

When it came to workers, they in some cases confirmed what remarked by the owners while providing a different point of view in others. In firm W the worker agreed with the interviewed owner and confirmed the family member having been hired predominantly due to its being a family member. He commented *“we have lost time and money due to some wrong decisions that have been undertaken by some family members. We all are human beings and make mistakes, but there have been times where [name] just lacked the knowledge to take the right decision. However, in time, the situation has improved”*. X’s worker was the one confirming no nepotism practices were present, as family members were skilled individuals, highly committed and with solid backgrounds specific for their tasks. Finally, the worker from firm Z distanced himself a little from what the owners said. The family members involved were found to be committed to the enterprise but causing some inefficiencies during operations due to the lack of formal background in covering their positions. More specifically, organisational shortcomings were highlighted especially on the part of the family member managing the office where the worker was employed. The worker remarked *“he sometimes has no idea what the work really is like... he assigns tasks that can be done in a few days with deadlines of weeks and vice versa...”* and *“tasks are sometimes inefficiently assigned with workers covering multiple positions and shifting tasks among them. I believe this creates confusion and limits our ability to get better at a specific task”*.

4.5.3 Asymmetric altruism

The respondents were asked the question of whether they perceive the presence of altruism in their firm, to which we obtained different answers depending on the firm and the interviewed subject. The owner in firm W remarked *“They are part of my family and if they are willing to work in their family’s business then, of course, I will employ them and further teach them how this business is conducted. The employment of a family member and an external are two different things”*. The owner of firm Z said not to be aware of any asymmetric altruism policies being

implemented in his firm as he stated *“no one gets a free lunch in our organisation, be them relatives or not. You need to give always 100% if you want to be a part of it”*. The interviewed workers in Z confirmed the feeling for what concerned the exerted effort but made comments on the given remuneration *“I do not see any too big disparity in exerted effort on the part of anyone, either family member or non-family member[...] maybe the gap in salary is a little wide in some cases... it feels like [name] is paid a little bit too much”*. Similar remarks on the remuneration level of the family member was highlighted by the worker in W. For what concerned firm Y, the interviewed subjects both concurred in the idea that no asymmetric altruism was present in the firm at the moment. They also concurred in affirming they have had problems in the past which were then resolved with the firing of the family members causing them. Worker and owner also reported the same perceptions regarding asymmetric altruism in firm X.

4.6 Asymmetric altruism problems in family firms

This section reports the perceptions of both employees and owners about adverse selection and moral hazard problems in their firms. The subcategories in which it is divided are family-member directed and non-family member directed moral hazard and adverse selection problems. What marks the difference between the two subcategories is the object of the described behaviours, being in the first case family members and in the second externals. The conducted interviews showed differences when it came to the amount of these practices, with smaller firms X, W and Y as the ones most likely to experience them. No differences were found to be present in the negative effects of these practices when their object changed. In fact, negative effects were produced in every case, both when the object were externals and when who benefitted was a family member. It was however found, such as in the case of Y, that the presence of these problems on the part of family members with object other family members resulted in a higher likelihood of similar problems with non-family members as objects also occurring as a consequence.

4.6.1 Family directed

The family directed altruism causing adverse selection and moral hazard problems were found to have been more present in smaller enterprises, operating in one market and in trades characterised by lower levels of complexity. The main adverse selection problems were found to be the hiring of relatives, without consideration of their possessed skills or potential fit within the

firm's environment. More specifically, these were found in two firms, that is W and Y. Both firms presented family-directed adverse selection problems and moral hazard problems throughout their history. In firm W however these problems lasted longer as the individuals that generated them were not removed from the firm as it happened in Y. These were present under the shape of lack of control on family members' actions and no critical evaluation of their actual performance on the workplace in Y and W. Shifting of blame for unsatisfactory results on other workers was reported by Y only. Thus, the interviewed worker in Y expressed his feelings in the following terms *"we all knew what the problem was (in terms of missed performance goals) but speaking up was not an option... we preferred to just nod and take the criticism for fear of retaliations...."*. The main impact on the resilience capabilities of these practices was their effect on the work atmosphere inside of firms and lower teamwork and greater distancing from the firms' culture (in Y). Reduced exerted effort and lower identification in the family and firm's values also occurred. The interviewed worker in Y said *"I think the reason why a lot of the employees left was the perceived injustice to which they were continuously subjected. It is not easy to put effort in something when you are the only one willing to do so but the result of that effort is necessarily shared"*.

4.6.2 Externals directed

In this subsection we present the effects of asymmetric altruism throughout generations. More specifically, the first generation displayed asymmetric altruism towards later generations which in turn did the same with acquainted non-family members. Altruism phenomena causing moral hazard and adverse selection issues and having non-family members as objects, were found to have been present in one of the surveyed firms, namely Y. The phenomena started from one individual only, belonging to the founding generation and was put into being by individuals of successive generations. Y's owner expressed as *"excessive indulgence on the part of the parents-founders"* the main reason that led to these problems emerging in their firms. The ways in which these practices manifested themselves were, in the case of adverse selection, with the hiring of underqualified workers who were in all cases in some kind of previous relationship with the family member hiring them. For what concerns moral hazard, Y's owner reported the phenomena occurring mainly under *"tolerated shirking"* of both the family member and the workers he hired. The creation of *"separate factions with diverging interests"* was highlighted by

Y's worker to be damaging for both the perceived work environment and overall identification of the employees with the firm's culture and values. This ultimately led to "low morale" and "reduced effort" (and consequently performance) on the part of all committed employees.

4.6.3 Altruism's influence on resilience

When we asked questions concerning their personal thoughts about whether they believe that altruism is affecting the firm's resilience in terms of skills and resources, the answers showed that it had an influence in one way or another. The worker W argued that the fact of employing a family member that has no previous experience and knowledge within the industry was highlighted to be potentially costly for a firm. This was detectable in the remarks such as "*I thought back then that it was a waste of money (expenses to integrate the owner's son into the firm) [...], I think the firm could have spent its resources more wisely*". On the other hand, the owner in Y (confirmed by the worker as well), argued that it sometimes augments the groupthink and results in wrong decision making, especially when multiple generations are involved. He remarked "*having relatives involved is a double-edged sword. When there are imbalances in the amount of attention given to the involved family members it is easier to create dangerous 'alliances'*". Agreement was also reached by both workers and owners in X and Z, on the need to manage the acquisition and management of family members correctly. Particular attention to the correct management was highlighted by Z's owner. He remarked "*it is challenging when both your son and daughter are working in the firm. Dividing responsibilities and tasks while maintaining good communication in the management team has helped us avoiding conflicts*".

5. Analysis

This section aims at analysing and showing that the family firm construct has indeed an effect on the abilities of firms to be resilient, potentially creating environments that either can be beneficial or hindering a firm's ability to stay in business. It also shows that, in order to make family firms resilient, some policies must be implemented to mitigate issues peculiar to the family firm construct.

5.1 Family firm construct

5.1.1 Official construct

Different perceptions were proven to be present on the part of employees when it came to the official construct of firms compared to their perceived construct. For what concerned the official construct, non-family members reported perceiving the firm in which they were working to be a family one based on dimensions such as the small number of employees they were working with (Y). Other perceptions concerned the obligation to report results to one person only, possibly sharing the same name with the firm, thus somehow impersonating it (W). The official construct of the firm was found by all the interviewed employees not to be the most relevant to ensure the firm's success. Family firms were, on the other hand, perceived by owners through a strong sense of ownership. The fact that previous generations of their family had founded the firm was reported to make, in their eyes, the firm a family one. Z's owner reported the firm's business' construct to be significantly impacting the firm's prosperity. He saw in the uniqueness of his family what actually mattered to ensure the firms' success, as no other family and no other division of labour would have made the company as successful.

5.1.2 Shortcomings of the family firm construct

The study proves that, inside family businesses, different dimensions are perceived as defining for family firms' identities. Habbershon et al. (2003), stated that the identification of a business with a family firm could come from the creation of the competitive advantage created through the interaction of the involved family members. This was identified by Z's owner, which pointed out a strong positive effect on elements such as efficiency and strategy building, of the presence of family members especially in the top positions of the firm. However, differences were found for what concerned the definition proposed by Stern (1986), which found in the extent and involvement of family members the main elements of family run enterprises. The number of involved family-related individuals was not considered to be an indispensable element for defining the business as a family firm for all the interviewed owners. Y owner and W's worker reported perceiving the firm's resilience could be threatened by the presence of multiple family members involved. This opinion resulted in the confirmation of the propositions of Schulze et al. (2001), that proposed a too strong presence of family members inside family firms to be potentially detrimental to multiple dimensions impacting resilience. Family members in Y and W

highlighted these negative effects to mainly be the inefficiencies affecting managerial tasks due to conflicts between family members in the firm's top positions when the owners' interests diverged. They also reported that particularly damaging were the diverging non-economic interests of family members that shared the same hierarchical position.

Confirmation was also found to the theories proposed by Chua et al. (2009), Gallo and Vilaseca (1996) and Lee and Rogoff (1996), which saw a too strong and unorganised presence of family members as causing problems due to the prioritising of socioemotional goals over business ones, potentially also limiting the set of competences at firm's interior. W and Y's owners agreed to this, reporting also that, in some cases, the diverging of interests on the involved family members caused differences in perceived priorities, hindering the attainment of shared strategies at the firm's level. The limit imposed on the competences at the firm's disposal was found in two cases to be related to biased hiring strategies applied by one of the owners. Y's owner reported episodes of group think as arising when opposite factions are created either among family members and workers or among owners having incompatible interests.

5.1.3 Perceived effects of the unofficial construct

The second dimension of business that emerged from the analysis of the collected data was labelled "unofficial organisational construct". To this belonged all those aspects of the family construct which were not directly related to the actual management of the firm. They were indeed related to the management but not part of the actual managerial system defining the firms' structures. The positive effects of these elements were pointed out by Bhamra et al. (2011), which remarked the creation of an environment based on trust, communication and openness to be peculiar to family firms and contributing to their success. Our findings were in line with these theories both for what concerns the interviewed owners and workers. Non-family members found in the presence of elements such as fast communication with the family members and building strong personal relationships with them the key to create a productive environment. All the owners presented a similar view, remarking the need for these organisational constructs with the enhancing of their firm's efficiency, while at the same time building a culture spanning all over their firms. All the workers remarked perceiving it as vital to ensure efficiency and effectiveness to the firm's activity and ensure a productive environment was kept at their

interior. The owners, on the other hand, replied as considering it more important than the actual one in three out of four cases. Z's owner saw in the official construct and the managerial structure stemming from the firm's secret for success. He however, remarked to consider the unofficial construct important to support and complement the firm's official one, reducing the hierarchical distance between employees and owners.

5.2 Market characteristics' effect on resilience strategies

The respondents' opinions were in line with Sutcliffe and Vogus (2003), which portrayed that different resilience strategies are to be applied in different situations. The main discriminant when choosing among the available strategies was reported to be the market characteristics in terms of complexity and dynamicity mediated by firm's size. Z's owner highlighted its market to be complex and varied in terms of competition and oscillations. The ones operating in single markets, suggested their business not to be a complex one in terms of strategy definition, even though changes occurred seasonally. According to theories developed by Chakravarthy (1982), in case the market changes often but with lingering effects, an adaptive fit approach could be used. This could be implemented with strategies forcing continuous changes in firms to make them respond promptly to changes in the environment. When asked about resilience related to the market changes, all were found to consider continuous change strategies costly and inefficient. Cost-wise, the inefficiencies concerned the required expenses of implementation on all levels, but especially at the employee's ones which were in three out of four firms organised with flexible and malleable structures. They were also considered to be inefficient at the organisational level, as they imposed a more rigid and standardised structure over firms. This could result in rigidities and implementation of inefficient solutions not in line with the firm's operational ways. Moreover, they were considered to require, for their successful implementation, a highly organised structure which most of the firms denied possessing.

In markets that were changing but unable to reach steady equilibria, Lengnick-Hall and Beck (2005), proposed different responses as the most effective to implement. These were highlighted to be robust transformation strategies, implying continuous changes in firms to overcome the ever-new challenges. This was achieved by using employees' improvements in skills, obtained through professionalisation, to create a dynamic tension between them to achieve newer ways to

overcome adversities. The strategy applied was thus not a single one involving continuous change and imposing it on the firms' structure. Rather multiple ones were obtained by investing in the professionalisation of employees before the changes in the market actually occurred. This caused robust transformation coming from the employees themselves and as the result of their analytical processes rather than guidelines given by the management. All surveyed owners agreed that continuous incremental transformation was necessary to successfully face market changes.

5.3 Strategies to achieve resilience

Another theme highlighted during the interviews was the resilient strategies to be applied in firms to ensure their successfully overcoming difficulties and challenges regardless of the market served. All the respondents confirmed that at least some kind of strategy is needed to ensure firms' resilience. This is in line with the findings of Antes and Bitici (2011), which remarked that, for family firms, the development of strategies aimed at fostering resilience is of the outmost priority to ensure the family firm's survival across generations.

5.3.1 Routines

Routines were also considered by scholars to be indispensable tools to make firms achieve resilience. In fact, they were considered fundamental by Ginsberg and Buchholtz (1990) who put together variations occurring in the environment and the responses used by firms to overcome them. Z and W demonstrated to have implemented routines but not in the way researchers had defined them. Almost all owners were convinced of the impossibility to come up with solutions to overcome all encountered challenges, as the variations between them were too great for general strategies to be applicable. Nevertheless, Z and W's owners agreed on the necessity of making use of routines to be able to "fix" the successfully implemented strategies in the firm's operational strategies. This did not entail a general standardisation of processes was implemented to manage the firm. More specifically, all the processes that had worked in the past to solve specific problems, were incorporated in a sort of procedural history to be used again whenever the problem presented itself again. This did not entail a strict and fixed division of tasks among employees as the processes merely gave guidelines that all the involved employees had to follow, with the tasks being divided according to the circumstances.

5.3.1.1 Routines processing or avoiding complexity

Among all the options proposed by Ginsberg and Buchholtz (1990), routines trying to process complexity were found to be the ones considered most inefficient by the majority of the interviewed firm owners. As most the firms considered were of moderate size and operating in markets with at least some level of dynamicity, to create standardised processes reducing the outside complexity was seen as costly and not in the least useful. All owner highlighted how following these would have, in his opinion, isolated the workers and favoured the creation of fixed roles among them. As resources were reported to be scarce and employees limited in number in all the considered firms, most of the workers covered more than one position at the same time. The isolation of single tasks would then have been in most cases impossible and even detrimental, as too different from the processes currently implemented in most of the firms. However, in Z, the interviewed worker remarked some benefits as possible coming from the specialisation achievable through the division of tasks due to the complexity and differences of the markets served. Moreover, Weick (1995), also highlighted the idea of postponing complexity and not challenging the currently applied processes to be an available option for firms looking to implement routines to foster resilience. The respondents however, all agreed in disapproving of this idea, as not capable of solving any of the incoming challenges, difficulties or changes in their markets. The firm owner and non-family worker in Y argued that in their firm such a strategy had been implemented in the past, with resulting detrimental effects especially for what concerned the firm's competitiveness.

5.3.2 Resilient capacities

Theories portrayed by Lengnick-Hall and Beck (2003), about the importance of building resilient capacities to ensure organisations' survival, were also confirmed by the surveyed owners and workers. The interviewed owners highlighted to place different values on the various types of these capacities. For what concerned theory's first proposed variation, which is cognitive resilience, the most important aspect was considered to be a strong identification with the firm's aims and strategies. Three out of four firms' owners reported to evaluate the attitude of the workers more than their competences. Z's owner reported, on the other hand to place high value on the workers' skillset, even though its evaluation followed the one considering the potential

personal fit with the firm. This was deemed beneficial most of all to the prompt and successful application of resilience strategies on an autonomous level by employees, being concerned with their abilities to devise and implement actions in line both with the firm's culture, operational ways and strategic needs.

5.3.2.1 Behavioural resilience and functional habits

This identification of employees with their firm's culture and aims was believed by owners also to help to improve the second aspect of resilience, that is, its behavioural meaning. Argyris (1980), defined behavioural resilience as all those practices enabling employees to analyse adverse situations and come up with solutions by using collective resources. This was remarked by all the interviewed subjects as the sharing of aims between the employees was considered to help the communication and teamwork among them. Confirmation was also found to the importance of what Lengnick-Hall and Beck (2003), called functional habits, that is the processes helping to create open communication patterns and expand the resource pool by strengthening interaction inside of firms. The interviewed individuals, both family and non-family members, remarked how efforts were constantly put through to create an efficient line of communication that stemmed through the whole firm reaching all its parts. Frequent measures taken to achieve these functional habits were the rotation of work and creation of teams that shifted often (Y, W, X). This was found to be helpful according to most owners to promote cooperation and communication among employees while also expanding their competences. The surveyed workers generally agreed with the owners with the single exception of the firm operating in multiple markets (Z). Here, this approach was considered to hinder specialisation and to be confusing for both workers and customers. This was due to the different legal and cultural requirements which, being different in every market and for every customer, require experience to be effectively managed. Moreover, as interactions with customers are carried out mainly remotely and therefore resting heavily on trust, rotation of tasks was seen as inefficient as hindering the establishment of personal, long term relationships with customers.

5.3.3 Professionalisation

5.3.3.1. Family and non-family members views on professionalisation

Special emphasis was put by the interviewed owners on the benefits of professionalisation of employees on every level of their firm to promote resilience. Thus, they provided confirmation to the theories proposed by Dyer (1989), which remarked the benefits of achieving resilience through the professionalisation of employees. All surveyed owners recognised the main effects of the professionalisation of employees as saved costs (coming from damages caused by incompetence) and improved efficiency during operations when fully professionalised. W's worker remarked professionalisation of family members to be expensive at the beginning while later indeed reducing costs. Moreover, more professionalised employees were described also to perform, on average, greater amounts of work in a given time frame, with significant lower waste of resources. Finally, more professionalised workers, independently whether it is a family-member or non-family member, were perceived to need less control while performing their tasks, thus saving owners time and resources.

The analysed theory was found to point in the direction of different alternative options when it came to the choice of professionalising either family members or external workers. More specifically, non-family members were considered to be a choice when family members were not available. The analysed firms' owners, however, did not confirm this dichotomy and showed the professionalisation of both actors to be important to heighten the pool of capabilities possessed at their interior. Even when family and non-family members were employed at the same time, in general there were no significant differences among them in terms of efforts spent to professionalise them.

Positive effects of professionalisation impacting more psychological dimensions were highlighted by firm's employees. In fact, professionalisation was seen on their part to be an act of trust coming from the owners, which in turn, fostered their overall commitment to the firm by making them feel active and indispensable parts of it. Moreover, workers also specified the act of professionalisation to make them feel empowered and more independent while also showing the willingness on the part of the firm to keep them as active parts of the project for longer periods. All these positive psychological effects in turn were highlighted to keep them actively engaged

and passionate about strategies and aims of the firm, while also strengthening their relationship with the respective owners.

5.3.4 Potential threats of the professionalisation of externals

Professionalisation, especially of workers not belonging to the family, was highlighted by researchers to potentially cause problems in family firms for different reasons. Dyer (1989), proposed higher chances of employees leaving the firm as one of the possible outcomes of professionalisation. The interviewed family members did not show to perceive this as a serious threat because different measures were taken alongside professionalisation to make employees active parts of the firms, mainly by tying them emotionally to the businesses. Similar results were obtained while interviewing the non-family members who reported the created feeling of belonging to be a strong enough reason to prevent their leaving the firm even if better options in terms of remuneration were available.

Dyer (1989), also proposed that one of the outcomes of professionalisation is that remuneration should be on the same level for both family members and externals if both on the same hierarchical position. X's owner did confirm to have employed both family members and externals on all hierarchical positions. In this case, the previously mentioned theory was indeed confirmed as remuneration of equally capable employees was the same both for family and non-family ones. On the other hand, we could not confirm this to be a general rule for the rest of the firms since the employees not belonging to the family were the ones that were employed in the lower hierarchical positions. It was therefore impossible to make a comparison in remuneration as the differences in wage were also due to the different levels of responsibility borne on the job.

5.3.5 Acquisition and management of externals

Dyer (1989), also proposed an additional way for family firms to achieve resilience through acquiring competent external workers on the outside labour market. Other scholars, however, argued that this option can have some unexpected implications for what concerned the firms' inside environments. More specifically, including external workers was pointed out to force changes in terms of incentive mechanisms, hierarchical structure and legitimacy norms inside organisations. We did not find evidence of this as the interviewed owners showed not to believe

the inclusion of externals to force any changes to their firms. In fact, it was reported in all cases that the external workers were the ones made to adapt to the firms' structure through a process of inclusion that started at the hiring and was carried on steadily throughout the whole work relationship.

5.3.5.1 Externals and agency principles implementation

The main issues caused when including externals suggested by Chua et al. (2009), also included their perceived inability to understand the family's non-economic goals and objectives present in the business. This resulted in different options available to firms' managers to align the interests of the workers, which were assumed to be mainly driven by economic reasons, with the non-economic ones in their firms. The options presented were mainly two, with the first being the use of strict control mechanisms based on contracts and economic incentives. While the second one was based on different and softer mechanisms, such as the nurturing of personal relationships such as the inclusion of externals workers within the firms' environments. This ensured that workers started caring for the firm's success without the need for constant control over their actions. The surveyed firms did not show, for the most part, to implement the first option to keep employees committed. In fact, most of the interviewed firms' owners reported perceiving the implementation of either contracts or economic incentives not to be feasible in their firms. This feeling had different rationales, which, for contracts, were the economic impossibility to provide high enough incentives due to the limited financial resources. Moreover, remuneration systems too focused on performance were perceived to be connected with higher competition and lower cooperation among employees. Thus, to follow the principles of agency theory when dealing with non-family members was felt in most cases to be more counterproductive than helpful.

To better highlight why the implementation of contracts to motivate externals was seen as unnecessary, the interviewed owners provided evidence on the frequency with which agency issues were occurring on the part of externals and family members. In fact, in Y and W, agency issues were reported to have occurred mainly on the part of employed family members, thus denying the acquisition of externals to need of contractual instruments for its regulation. Moreover, in those cases that saw a non-family member as the source of the agency issue, the

problem was highlighted by the respondents not to have impacted the firm too greatly and having been resolved through the firing of the underperforming employee.

5.3.5.2 Principal-principal agency issues

Daily and Dallinger (1992) pointed out that the most detrimental effects caused by agency issues were identifiable, in family firms, with principal-principal ones. More specifically, the presence of a multitude of family members with different interests and desires at the top level of the firm was remarked to be an issue in some family-run organisations. In fact, we found in Y and W, issues caused by owners' diverging interests, especially in those cases where more generations (on different hierarchical levels) were involved. These issues' main effects were found to be both on the perceived work environment, on the processes followed to define strategies and on the resources at the firm's disposal.

More specifically, conflicts among the owners resulted in less participation and cooperation among employees, which tended to choose sides based on which owner represented the vision they identified more with. Moreover, different visions expressed by the family members in the top management resulted in multiple strategies being perceived by workers, causing, even in those employees that did not choose to take sides, great confusion. This ultimately hindered their ability to autonomously take decisions, as the evaluation of the available options was hindered by the uncertainty concerning which business strategy better suited both the firm's culture and the management's vision.

5.3.5.3 Application of stewardship principles and their effects

The problems caused by the different implications of agency control instruments (such as contracts and pecuniary incentives) and their perceived superfluity to check on actions of external workers, were mentioned by the interviewed owners to push them towards managerial approaches more focused on stewardship principles. All the interviewed owners were found to value the application of these approaches both at the beginning of work relationships and throughout their development. Examples of the attention directed at stewardship principles at the hiring stage were given when the owners explained which hiring policies they considered to be more beneficial when acquiring external workers. Owners reported adopting selection policies that mainly took into consideration the candidates' work attitudes, which were often considered more important than their actual competences. Individuals showing high valuation of

commitment and potential fit with the firm's culture were perceived to be potentially more receptive of stewardship and therefore preferred over individuals not showing these qualities. The potential fit of the subjects with their work environments and the ability to keep learning while employed in the firm were also considered by owners to be a positive signal for both the successful implementation of stewardship policies and reduced agency issues throughout the working relationship.

This initial evaluation aimed at identifying possible stewards allowed owners to successfully implement, inside the considered firms, strategies aimed at increasing the quality of the acquired labour force such as through professionalisation of employees. All the interviewed owners agreed on the fact that the most valuable stewards were perceived to be the ones built by the owners themselves and not the ones found in the firm's outside environment. However, they remarked that the only way to find such stewards was through trial and error processes that started with the acquisitions on the outside environment of potentially fit individuals. Positive reputational effects caused by previously implemented stewardship policies, which were pointed out by Gomez-Mejia, Nunes-Nickel and Gutierrez (2001), were not confirmed by the respondents. No owner remarked having perceived any increased likelihood of acquiring skilled individuals due to the implementation of stewardship over agency in their firms. The workers themselves confirmed not having been aware of the policies implemented in the firm when they decided to join it, thus denying these aspects having influenced their choices.

5.4 Nepotism through asymmetric altruism practices in family firms

5.4.1 Nepotism's effects on firms

Where nepotism practices were applied, namely in W and Y, both owners and workers highlighted feelings of injustice concerning the policies implemented both at the hiring and in successive stages. While hiring, these perceptions created problems due to both concerns based on emotional and practical issues. The emotional issues were found in the interviewed firms' workers, which reported feelings of injustice due to the inequality of the implemented evaluation of family members. Practical issues found both in owners and workers concerned, on the other hand, preoccupations due to their perceived ineptitude potentially resulting in damages being done to the enterprises. The effects reported for stages successive the hiring phase were moral hazard problems caused by due the differences in work ethic, exerted effort and lack of control

on actions. Differences in work ethic were felt more strongly by owners while exerted effort and lack of control mechanisms were reported equally by both owners and workers in W and Y.

The belonging to the family of the subjects benefitting from nepotism practices thus resulted, in the surveyed firms, in impunity concerning their shirking and free riding as predicted by Schulze et al. (2001). Further confirmation was given by owners in W and Y to theories stating that family firms might have characteristics potentially favouring negative effects of nepotism. Schulze et al. (2001), stated that there might be unwillingness or impossibility on the part of firms' top management, to develop control systems aimed at limiting the actions of family members. This was confirmed by all owners, as too strict control systems were seen as creating an environment not based on trust but rather on reciprocal control. Moreover, their implementation was also seen in X as going against the firm's culture and operational ways, while also being potentially detrimental to personal bonds between family members in Z. Z's owner stated that, measures aimed at fostering collaboration between family members to prevent negative effects from nepotism could avoid applying too strict control systems. He further stated that through this collective approach the firm could both benefit from the presence of family members while also keeping in check negative behaviours from family members.

Interviewed workers in Y and W also highlighted that injustice perceptions caused by nepotism practices could result in lower levels of commitment shown by employees. In fact, the interviewed worker in Y reported that the most qualified employees had left the firm when the level of favouritism shown to some family members had become such to compromise their firms' overall work environment.

5.4.2 Family members' utility and asymmetric altruism practices in family firms

The empirical findings show that three out of four respondents, especially those belonging to the founding generations of firms' owners, considered the most suited stewards in terms of perceived quality to be family members. This was not only due to their knowing the subjects' inclinations and competences in advance but also to the additional "utility" which resulted in having hired a relative over an external. This intangible benefit was reported to come mainly from the feeling of having strengthened the bonds inside both the family and the firm while also having greatly

reduced uncertainty during the hiring process. The assumption they made was that of assuming the utility of family members also increased as a result of their inclusion in the family firm. The approach then followed by the respondents started with the consideration of their own perceived utility, for then creating assumptions on the utility of the other subjects involved. We therefore found confirmation to theories proposed by Lubatkin et al. (2007), who argue that through subjectivity altruism individuals form their views on other peoples' utilities based on their own, due to their incapacity to experience first-hand interests of others.

5.4.3 Positive and negative effects of altruism practices

The reductionist approach proposed by Lubatkin et al. (2007), was also implemented because the respondents admitted assuming the utility of other family members to be predominantly motivated by economic incentives and the "status" coming from their inclusion in the firm. Positive indirect effects were also perceived by some owners on the business well-being as the creation of an environment with all people belonging to the same "group", was perceived to enhance communication and collaboration. This in turn, was perceived to positively impact efficiency and effectiveness levels during operations. These findings were in line with the propositions of Zahra (2003) and Blau (1964), which argued that altruism can have positive effects on the work environment and the workers operating in it.

There were however, some negative effects reported when altruism practices were present, especially those which resulted in the hiring and mismanagement of family members, were implemented. These reports came from both the family members that were already operating in the firms and external workers, that saw relatives and external workers being let into firms due to what they considered altruism practices. Family and non-family members reported the newly acquired individuals to be, especially when displaying behaviours not in line with the firm's strategic and cultural ways, elements potentially damaging to the firms' fragile equilibria. Moreover, concerns were also expressed when considering the level of professionalisation and skills of the hired family members. In some instances, these were recorded to be low (at least at the beginning of the work relationship) with the resources spent to achieve an acceptable level of competences impacting the firm's finances negatively.

5.4.4 Justice implications of asymmetric altruism

Colquitt et al. (2001), reported different dimensions of justice to be affected by the phenomena of asymmetric altruism. All dimensions of justice proposed by these authors were highlighted to be affected in Y and W, even though to different extents and with different effects. On the other hand, only some of the proposed dimensions were affected in Z while no effect on justice was reported in firm X. The distribution of resources or distributional justice (Colquitt et al., 2001), was seen in three out of four analysed firms to be just, as no great differences were reported between what was given, in terms of remuneration, to employees performing similar tasks on the same hierarchical level. Disproportionate pay in one of the family members was reported in Z by the interviewed worker, even though no great effect was reported on the overall firm's inner environment.

On the other hand, workers and family members in Y and W reported the dimension mostly affected to be organisational justice, composed of the perceived rationales behind the strategic choices made while running the firm. Actions undertaken by favoured family members usually diverged from the firm's strategic dimensions, having different effects on both the workers and family members involved. More specifically, this created confusion in employees not belonging to the family for what concerned the firm's strategic choices, while assumed more personal dimensions in the ones belonging to the family, ranging from feelings of injustice to outright jealousy. Confusion created in employees caused, especially in firm Y, negative effects on employees' performance in terms of strategy implementation and communication with the owners. Owners' feelings of injustice caused lowered morale in the interviewed owner in firm Y, while W's owner reported them to cause open contrasts and compromising of the firm's inner work environment.

In both W and Y, the damaging of these personal interactions among family members resulted in lower communication and sharing of both information and a common vision for the firm. Habbershon et al. (2003), reported the interaction of all subjects involved and open communication through formal and informal channels to be vital in creating competitive advantage in family firms. The interviewed owner and worker in Y reported damages caused by injustice to both interaction and communication channels, damaging the firm's ability to create a

competitive advantage. On the other hand, the damages highlighted by the worker and owner in W, differed as the former mentioned only lowered the efficiency of the spent resources without mentioning personal interactions. The latter reported, as owner and worker in Y did, damages also in the personal interaction.

6. Conclusion

This chapter will first present the research questions of this research and further provide a conclusion that derived from the chapter of analysis to answer the research questions. Furthermore, theoretical, practical and social implications will be presented which highlights

how our findings can be used in various situations. This chapter will then conclude with the limitations of this study which is followed by suggestions for future research.

The aim of our thesis is to investigate how nepotism under the shape of asymmetric altruism affects family firms' abilities to achieve resilience. To be able to fulfil the purpose of our research we developed four research questions:

1. Which actions are taken by family firms to achieve resilience?
2. How do nepotism practices affect family firms' ways to achieve resilience?
3. How prominent are asymmetric altruism practices in family firms and how they affect the working environment?
4. How do nepotism practices under the shape of asymmetric altruism affect family firms' strategies to achieve resilience?

This study shows that the interviewees, be them family or non-family members, mostly agreed that the perception of a family environment was more useful to the firm than the actual management structure. This showed that fulfilling the structural requirements of a family firm was perceived as less vital than the implementation of policies aimed at creating a family environment at their interior. The largest firm's owner and worker remarked the firm's family construct to be indeed useful and that unofficial practices alone would not be enough to properly manage it. In all cases, the values of the family were pushed into the businesses by uniformly making them part of the structure rather than being forced from the top management. The study also proved that the firm operating in more than one market was the one that developed more articulated managerial systems. The firms operating in single markets did not show a clear managerial structure apart from the running owners as general managers. All firm's owners, regardless of their firms' structure, considered flexibility and adaptability as something important for their firms.

The respondents also confirmed that it was vital for them to devise ways to improve their resilience capabilities. All interviewees reported the acquisition of new workers to be a viable and sometimes necessary way to increase possessed skills and capabilities in their firms. Almost all interviewed owners reported perceiving family members as being their first

choice when expanding the firms' workforce. This preferential treatment reserved for relatives caused by asymmetric altruism was implemented regardless of the perceived abilities of the subjects and the possibility to hire more skilled individuals in the outside environment. This also resulted in family members being employed in working positions that did not match their skills and abilities just because they pressured to be assigned to those roles. In two of the three cases where this had occurred, the effects of nepotism practices were detrimental to the firm's inner environment and its ability to develop successful resilience strategies. However, in the firm where the most developed managerial system was implemented and the family members showed to be the most passionate about their tasks, the previously mentioned negative effects were avoided. This finding highlighted the positive effects of proper managerial procedures and committed efforts on the part of the included family members to avoid negative effects resulting from asymmetric altruism practices. The symmetry in altruism was then found to be the element marking the difference between a positive and a negative outcome when nepotism practices were implemented. The owner that did not confirm this moral constraint towards hiring family members considered hiring relatives only when in possession of the required skills.

Regardless of the owners' preferences, three respondents remarked perceiving potential positive effects when hiring family members in terms of communication and organisation of activities. These positive effects were reported more intensely when the hired family members displayed similar cultural values and aim as the family firm while when these elements were not present, problems of the principal-principal type were reported. Thus, contrasts ensued due to the differences in operational ways and perceived priorities on the part of the family members owning the firm. These problems escalated beyond control in the firms where the level of applied official managerial practices was the lowest, and the family members involved were mostly on the same hierarchical level. Thus, the absence of mediation and enforcement of rules either by older generations or by guidelines restraining the behaviour of family members resulted in higher occurrence and stronger effects of contrasts among family members.

The acquisition of externals was also considered as a viable option, not being feared by any owner to cause agency issues or damaging the firm's structure. In fact, the owners denied any changes being forced on their organisations' structures after the acquisition of external workers. This result was probably obtained also due to the small size and informal procedures found in the firms analysed. The flexibility they possessed meant the need was not present to entirely change the firm's operational ways in order to formally include the external workers. The structural characteristics of the considered firms pushed the inclusion of workers not coming from the family to be managed following principles of stewardship rather than agency ones. In fact, the small size, the impossibility of granting high incentives and the lack of strong control mechanisms, all pushed the owners to prefer stewardship to manage their firms instead of agency principles. These were applied by building strong personal relationships with the employees, along with allowing them trust and freedom of movement during operations. This way of managing the workforce resulted in only one instance where agency issues involving externals were reported, with these however being a consequence of agency behaviours of the owning family members. One of the ways in which trust was shown to employees was the willingness to invest in their professionalisation throughout the working relationship which resulted in fostering the firm's resilience as they possessed new skills and knowledge.

Professionalisation of employees was also seen, likewise the hiring of new employees, as part of the applied resilience strategies in the surveyed organisations. Professionalisation of employees was argued to be useful by all the interviewed owners and was evenly applied in all firms on every level. The benefits of professionalisation were remarked by all owners to result in reduced costs and higher efficiency. Reduction in costs was achieved through improved decision making and lower control being needed on professionalised employees while performing their tasks. Moreover, the professionalisation of employees also helped the surveyed firms in overcoming structural and organisational issues they all shared such as the division of tasks among workers and the limited amount of human resources available. Additionally, the professionalisation of employees was also found to help develop a family atmosphere inside the organisations and allow to lower differences between family members and externals. The integration of all involved workers resulted in easier cooperation and communication inside

the considered firms, which in turn contributed to the development of Familiness through collaboration among all involved subjects. Moreover, it ensured that professionalised employees felt emotionally tied to the firm, thus preventing their potential leaving to look for jobs granting higher salaries. Thus, the hiring of skilled employees and the professionalisation of already employed workers created, along with their integration in the firms' structure and culture, a positive environment to ensure resilience strategies could be developed.

Finally, in order to fill the main research gap of this study, we found evidence of nepotism under the shape of asymmetric altruism practices affecting family firms' resilience. The study shows that nepotism is always having an effect on a firm's resilience, however, the way it affects it depends on multiple factors. If a firm possesses the right managerial system (self-implemented or forced upon it by its size and markets served) negative effects caused by nepotism are reduced. Moreover, the attitude of the benefitting family members towards the assigned task and the firm's prosperity is also playing a part concerning the outcome of asymmetric altruism practices. The aim pursued by the family running the firm also impacted the effect of the nepotism practices implemented. Three of the interviewed firms remarked their aims being not only to achieve economic goals but also the satisfaction of more psychological needs such as family unity and wellbeing. In these firms, the presence of nepotism under the shape of asymmetric altruism was found to be higher, with negative effects on resilience however happening only where no strategies to better the competences of the involved family member were implemented. On the other hand, in the family firm more focused on achieving economic goals, the presence of nepotism and altruism were seen to be less prominent as more attention and resources were allocated towards achieving higher financial performance through the improvement of all the involved workers.

6.1 Theoretical implication

The family firm construct has been highlighted to favour nepotism practices due to power being in the hands of a nuclear family (Jensen and Meckling, 1998). This characteristic was defined as both having positive and negative effects on firms (Eshel et al., 1998). Additional research argued that the family firm structure is beneficial to prevent agency issues stemming from

nepotism practices (Daily and Dollinger 1992). Thus, nepotism and its effects were considered to be mitigated by the family firm construct, where individuals in most cases were assumed to share objectives and strategic views. However, we found a lack of research regarding nepotism's effects on the strategies and capabilities of family firms to achieve resilience. We found in the interviewed family businesses that nepotism practices are present and that the family firm construct per se is not enough to prevent their effects. Our investigation showed that nepotism practices are having an influence on family firms' capacity and strategies to achieve resilience. However, the effect has shown to be both benefitting or damaging to the achievement of resilience, which also depended on the size and goal of the firm. This conclusion contributes in expanding current research on the topic by adding insights and knowledge about how the effects of nepotism are changed by features such as management, size, owners' preferences, goals, processes, and practices implemented.

6.2 Practical implications

The results of our study provide implications for family firm owners pondering whether to hire family members or externals in their firms when in need of additional workforce or knowledge, and its effects on the firm's resilience. When a family firm owner wants to achieve resilience by professionalising their family members or acquiring external workforce, the management of workers can make the difference between fully taking advantage of the newly acquired capabilities or not. This ultimately affects the successful achievement and implementation of strategies aimed at making firms more resilient. This also remarks on the importance of creating an environment inside of firms based on trust and directed at developing long term relationships. The evaluation of new workers, be them externals or family members, needs to take into consideration the features of this environment to make sure they also share the same values so as not to disrupt this fragile equilibrium. The potential fit with the firm's culture has to be coupled with possessed skills in order for the acquired workers to contribute to the development of the current and future strategies and practices to achieve resilience.

Furthermore, our investigation provides knowledge of how nepotism can influence a family firm's resilience, which can be utilised by various family firms when both creating hiring policies and managing workers.

6.3 Social implications

Since family firms are one of the most common enterprises around the world and are having an important role in innovation in any economy (Ates and Bituci, 2011), it is crucial for our surrounding environment that they stay in business. According to Fendri and Nguyen (2019), only a third of the launched family firms survive after the first generation. To diminish these bankruptcies, it is essential that family firms become resilient and deal with upcoming challenges. Our study provides insights and information regarding how nepotism can influence a firm's capacity to achieve resilience both positively and negatively. These insights can be used by the society which include people such as family firm owners, employed family-members, and other people that are looking into joining a family business for their future jobs. By considering the insights from our study a family firm owner can see how other firms have been affected by nepotism practices and take a standpoint in regard to its own firm, whether it will benefit or harm the firm's resilience. From the family firm owner's relatives and externals point of view, our findings can give them insights regarding how family and non-family members are treated in family firm due to nepotism practices. Our findings can further contribute the society's understanding of the importance of nepotism practices and its effect on family firms which can result in more developed policies and routines being implemented to ensure a firm's resilience. This, in turn, can increase the chances of family firms surviving for several generations and continuing expanding.

6.4 Limitations and suggestions for future research

While the study provided some insights on nepotism practices and their effects on family firms' abilities to achieve resilience, it has some limitations. Firstly, we focused on small firms as difficulties were encountered when trying to reach out to larger organisations. Moreover, the sensitivity of the themes treated in this thesis required our personal evaluation of the respondent's answers to determine whether they were disclosing everything about the topic or still refraining from being completely honest. Another factor limiting our research is that the owners were generally the ones responsible for the emerging of nepotism phenomena. Therefore, they tended not to have a critical point of view about the extent of these phenomena, while workers tended to generally perceive them more strongly.

We mainly investigated the respondents that currently were actively working within a family firm, however, we missed out on the point of view regarding our topic from individuals that have left a firm due to nepotism problems. This limited our study by taking out the most negative perceptions about the analysed topic. Future research could focus on investigating the same research topic, however, including the ex-workers point of view and, also investigating larger firms in terms of employees. This can deepen the knowledge and insights regarding how nepotism affects resilience in larger family firms and the perception of the most affected by nepotism practices and about their effects on workers and the firm as a whole. Another potential research direction could be to investigate how cultural differences of the firm's owning family affects the extent and effects of nepotism practices in family firms.

7. References

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Appendices

Appendix 1- Literature review

According to Easterby-Smith et al. (2018), literature review is described as a summary of present research and knowledge that already has been studied and is known regarding a certain topic. With aim of increasing our knowledge of what already is known about our research topic we started gathering information regarding our research area previously described. Furthermore,

when investigating the area, we recognised a research gap that further was needed to be studied and became the purpose of our thesis.

In order to ensure the quality of our research, the decision was taken to only comprise articles and sources that are trustworthy as peer-reviewed articles. Thus, we aimed at including only peer reviewed articles coming from journals with an impact factor of a minimum of four out of five. We focused our research on four main macro-areas we retrieved from the academic journal guide provided by ABS (2015), in order to isolate the sources deemed relevant for our study. Thus, the macro-area “Entrepreneurship and small business management” gave us insights on all the subjects of interest, such as family businesses, the main resilient practices available to them and how they are affected by agency, stewardship and nepotism practices. We therefore used this first area to build the study’s framework, with the journals we relied mostly upon being “Entrepreneurship Theory and Practice”, “Journal of Business Venturing” and “Strategic Entrepreneurship Journal”, all of which with an impact factor of four. We later expanded firms’ resilience strategies by exploring previous research on “Organisational Studies” and “General Management, Ethics and Social Responsibility” areas. In these areas we also conducted an initial selection of the most relevant sources, including only those that scored impact factors of four and four*. Examples of the journals that were most relevant for our research in the organisational studies area are “Organisation Science”, “Human Relations” and “Organisation Studies”. For what concerns “General Management, Ethics and Social Responsibility” we mostly relied upon “Academy of Management Review”, “Journal of Management Studies” and “Journal of Management”. Finally, the subject of nepotism and its combined effects with agency and stewardship, that we introduced with the initial sources on entrepreneurship, were integrated by insights given by exploring the “Human Resource Management and Employment Studies” subject. The journals that were most relevant for our research were “Human Resource Management”, “Work, Employment and Society” and “Human Resource Management Journal”. The search for the single articles was conducted using mainly search engines such as Google Scholars, Web of Science and Scopus. Initial searches were conducted using keywords such as “family business” * organisational structure* and family involvement*. As the results obtained were too varied both in number and scope, we refined the research by including words such as agency*, stewardship* and nepotism* directly in the research query. Additionally, we further refined our research by selecting the issuing source of the articles based on their relevance. The

number of articles obtained was thus reduced from approximately 300 to 70. However, due to the strict criteria imposed, we experienced some difficulties in finding relevant information about some subjects of interest. More specifically, information about effects of nepotism proved to be scarce and rarely of relevance for our study. Therefore, due to the scarcity of previous research on the topic a few articles had to be sourced from less prominent journals. We are aware that this could have lowered the quality of the study, if the articles had been part of its theoretical foundations. However, these were used predominantly to introduce the aim of the research and mentions to the scarcity of current research on the topic was made whenever the above-mentioned sources were used.

Appendix 2- Interview Questions

Background

Describe your company

1. Do you mind if this interview is being recorded? Would you like to stay anonymous or not?
2. Could you please introduce yourself, how long have you been working for this company and about your position within the firm?
3. What relationship do you have to the firm's owning family?

4. How is the proportion of family and non-family members among the firm's employees?
5. What are the characteristics in terms of dynamicity of the market in which you are operating?

Nepotism

Nepotism is referred in the literature as the practice of preferential treatment of family members when compared with non-family ones, when it comes to remuneration and benefits practices.

1. Are you aware of the hiring policies operating in the firm and how do you perceive them in terms of justice? How are employees selected and evaluated?
2. Are positions covered by family members in line with their competences? Please elaborate.
3. Is the effort put in by family members as high as the effort put in by non-family members? Please elaborate.

Altruism refers to different attitudes of family members towards each other. Some will display beneficial behaviours towards family members that however will not return the favour received.

4. Do you perceive the presence of altruism practices in your firm (and if yes) what's their impact on your firm?
5. How are incentives given? Is there an equitable distribution?
6. Are externals considered to share the firm's values and culture or are they felt to relate more on monetary incentives? Please elaborate.

Problems can arise during operations due to irresponsible behaviours on the part of workers, such as excessive risk taking and unwillingness to put effort in the assigned task. Other times, problems arise when human resources are chosen based on their blood ties with the family running the firm instead of their skills and abilities.

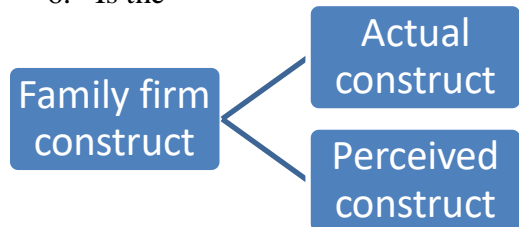
7. Are there any of these kinds of problems, caused by altruism, in the firm? If yes, what are the direct effects of these problems on the firms?
8. How is justice perceived among employees inside the firm in terms of the distribution of resources and wealth?

Resilience

Resilience is recognised as the process and capacity of a firm or organisation to adapt and deal with upcoming difficulties and challenges to ensure its survival.

1. What defining characteristics make your firm a family business?
2. Have you implemented any processes and routines to deal with upcoming challenges and difficulties? If yes, please elaborate on how they are developed and implemented.

3. Is nepotism affecting resilience in the firm for example in terms of skills and resources? If yes, how?
4. Is professionalisation of employees seen as important? What is the effect of professionalising family and non-family employees on resilience? employees are preferably professionalised, family or non-family member?
5. How are employed non-family members perceived to impact resilience?
6. Is the



family firm construct seen as useful or as hindering the development of the different resilient strategies?

Agency sees workers as not interested in the firm's success and willing to cheat in order to obtain as much benefits as possible. Stewardship sees workers as part of the firm and willing to do as much as they can to ensure its success, even if it requires very high

much as they can to levels of effort.

7. Do you feel that agency and stewardship are problems present in your family firm or not? If yes, how?
8. Is the proportion of family members involved in strategic management position due to altruism practices? Does this create principal-principal problems?
9. If yes, is this creating an environment favourable to the development of resilience capabilities and strategies or is it limiting the firm's strategy development processes? (limited range of ideas, groupthink....)
10. How do you think that employing family member instead of a non-family member affects a firm's capacity to achieve resilience?

Appendix 3- 2nd level codes and themes of thematic analysis

