Chapter 14

Investigating Inner Dynamics in Family Firms: A Multilevel Analysis

Filippo Ferrari

https://orcid.org/0000-0002-7509-2320
Independent Researcher, Italy

ABSTRACT

This chapter shows that a multilevel model of analysis is a suitable approach in order to highlight hidden relationships among different structural units within organizations. In addition, current literature argued that the field of management could be enhanced by integrating the theory and empirical work of other related social science disciplines (e.g., psychology). In adopting analytical techniques from clinical, social, and I/O psychology, this chapter highlights the deepest (dysfunctional) organizational dynamics, thus demonstrating the effectiveness of a multidisciplinary approach to complex organizational phenomena. Finally, this chapter highlights implications and suggestions for scholars and consultants in the field of business analysis. In particular, the multiple nature of dysfunctional dynamics advocates for a wider diffusion of psychological diagnostic tools, integrating them into traditional economical and financial assessment.

INTRODUCTION

In order to investigate inner business dynamics and, more generally, understand the complexity of an organization, a multilevel analysis is advisable (McKenny et al., 2014). Managerial and family business literature (Hitt et al., 2007) traditionally uses a micro or macro analysis level, but that may not be sufficient for a full and deep understanding of the inner dynamics. The assumption at the base of the multilevel approach is that many outcomes are the result of a confluence of influences emanating from different levels of analysis (House, Rousseau & Thomas-Hunt, 1995; Rousseau, 1985).

DOI: 10.4018/978-1-7998-1655-3.ch014
All organizations, and family firms in particular, have non-economic goals: this is a well-established fact in managerial literature (e.g. Astrachan Jaskiewicz, 2008; Berrone et al., 2012; Chua, Chrisman, & Sharma, 1999; Zellweger & Astrachan, 2008). In pursuing these goals, organizations are particularly exposed to relationship conflicts (Davis & Harveston, 2001; Levinson, 1971; Zellweger & Astrachan, 2008) and/or rivalry (Grote, 2003), which can negatively affect firm performance (Eddleston & Kellermanns, 2007) or group dynamics and business processes (Pelled et al., 1999), thus generating non-financial costs (Astrachan & Jaskiewicz, 2008). These negative non-economic outcomes, usually unintended consequences of the positive ones, are often overlooked (Astrachan & Jaskiewicz, 2008) and, at least, are difficult to measure in spite of their potentially significant impact on firm performance and business value (Demetz & Lehn, 1985).

Following a multilevel analysis, the first purpose of this chapter is to analyse, discuss and largely further understand how organizations (family business especially) plays a role in generating unintended dysfunctional outcomes, at three different levels: the whole organization (i.e. the family firm), the group (i.e. the family), and the participants (the single family member).

Moreover, in order to proceed from ‘how’ to ‘why’, the second aim of the chapter is to offer an explanation for this dysfunctional phenomenon in terms of reciprocal interrelations between different organizational levels. This approach was chosen because other approaches (such as; organizational, managerial, and financial), focus more on success in terms of earnings, shareholder equity growth, and wealth retention, instead of human development and wellness.

With particular attention to methodological aspects, this study contributes to current literature in a twofold way.

By carrying out a multilevel analysis applied to family business field of research, this chapter demonstrates the feasibility of such an approach for obtaining a deeper understanding of organizational dynamics, thus responding to calls in organizational literature (Hitt et al., 2007). In addition, this research uses a qualitative approach, again reacting to a recent call (Fletcher et al, 2016) for a wider application of qualitative research in the family business field.

Furthermore, this chapter contributes more in general to organizational literature in two different ways.

First, by applying a multilevel analysis, this chapter highlights the deep dynamics which undermine family firm reliability and challenge its survival rate, thus offering a new, distinctive perspective on organizational (and family firms’ in particular) inner processes. Moreover, by gathering data regarding Italian firms, this chapter contributes to international literature on organizational pathologies, literature so far almost exclusively focused on the Anglo-Saxon context.

THEORETICAL BACKGROUND

In pursuing non-economic advantages, family firms also sustain non-economic costs. Although scholars have suggested some criteria for considering both these aspects in business value appraisals, (e.g. Astrachan & Jaskiewicz, 2008), a complete and reliable evaluation of these non-economic costs is far from being accomplished. Occasionally a non-economic cost is an unintended consequence of a non-economic goal: literature following a Mertonian approach sustains (Griffin & O’Leary-Kelly’s, 2004; Resick et al., 2009; Vaughan, 2009) that there could be a ‘dark’ dimension behind an apparently benign outcome. Due to the relevance of these kinds of goals for family firms, investigating positive non-economic outcomes that generate unintentionally harmful outcomes becomes a priority for scholars and researchers.