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"Building and Transmitting Trust in family businesses: An in-depth analysis of dynamics, strategies and impact of trust on Internal and External Relationships.

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Introduction

The Role and Importance of Trust in Family Businesses

Family businesses represent a cornerstone of the global economy, contributing significantly to employment, innovation, and long-term economic stability. According to the Family Firm Institute (2017)[1], they comprise approximately two-thirds of all businesses worldwide, generate between 70–90% of global GDP, and account for 50–80% of jobs in most countries. In the United States, family businesses are responsible for Family businesses contribute 64% of the GDP[2]. Similar patterns are observed in Europe, Latin America, and Asia, where family firms are deeply embedded in both local and national economic systems (Botero et al., 2015;)[3]. They account for a dominant share of firms worldwide and are critical drivers of value creation and international growth (De Massis, Frattini, Majocchi, & Piscitello, 2018)."[4]

What sets family firms apart from non-family enterprises is the intricate overlap between family, ownership, and management. Long-term orientation, emotional attachment, intergenerational vision, and deeply held values are hallmarks of family business identity. Within this unique configuration, **trust** emerges as a vital, albeit complex, resource. It permeates governance, influences strategic decisions, and sustains cohesion among family and non-family members. While its importance is broadly acknowledged, trust in

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[1] Family Firm Institute. (2017). Global data points.

[2] Van Der Vliet, Daniel. "Measuring the Financial Impact of Family Businesses on the US Economy. Familybusiness.org. 2 Jun 2021.

[3] Botero, I., Cruz, C., DeMassis, A., & Nordqvist, M. (2015). Family business research in the European context. European Journal of International Management, 9(2), 139–159;

[4] De Massis, A., Frattini, F., Majocchi, A., & Piscitello, L. (2018). Family firms in the global economy: Toward a deeper understanding of internationalization determinants, processes, and outcomes. Global Strategy Journal, 8(1), 3–21.

family businesses is not a given, it must be carefully built, nurtured, and passed on. The mechanisms through which this occurs, however, remain insufficiently explored in academic literature, especially when considering trust as a multilevel and evolutionary construct.

Trust is widely recognized as a strategic asset that enables family firms to pursue long-term goals, ensure relational continuity, and preserve socioemotional wealth across generations. It operates across three interrelated levels:

- **Intra-family trust** (among family members),
- **Interpersonal trust** (between family and non-family members within the firm), and
- **Institutional trust**: (between the family firm and external actors such as clients, suppliers, and other market) (Deferne & Bertschi-Michel, 2023)[5].

Each level plays a crucial role in ensuring effective governance, facilitating decision-making, and fostering a culture of collaboration (Miller, Wright, Le Breton-Miller, & Scholes, 2015)[6]. When trust is strong, it enhances strategic alignment, minimizes transaction costs, and strengthens competitive advantage. Conversely, its erosion can lead to conflicts, governance inefficiencies, and business decline (Eddleston & Kellermanns, 2007)[7]. When effectively cultivated, trust facilitates collaboration, supports succession, and enhances competitive advantage (Miller et al., 2015)[8]. Conversely, the erosion or mismanagement of trust can lead to

[5] *Deferne, M., & Bertschi-Michel, A.* (2023). *The role of trust in family business stakeholder relationships.* Family Business Review.

[6] Miller, D., Wright, M., Le Breton-Miller, I., & Scholes, L. (2015). Family governance and firm performance: Agency, stewardship, and capabilities*. Family Business Review, 28(3), 200-217.

[7] Eddleston, K. A., & Kellermanns, F. W. (2007). Destructive and productive family relationships: A stewardship theory perspective*. Journal of Business Venturing, 22(4), 545-565.

dysfunctional governance, nepotism, resistance to innovation, and intergenerational conflict. Understanding how trust functions across these levels is thus essential to grasping both the resilience and fragility of family businesses.

Research Gap and Research Question.

This thesis investigates the strategic and relational role of trust in family firms by examining how it is constructed, sustained, and transferred across time and organizational layers. The central research question guiding this study is:

"How do the processes of building, maintaining, and transmitting trust over time at the intrafamilial, interpersonal, and institutional levels influence the managerial and social dynamics of family businesses?"

This guiding question allows for a comprehensive exploration of trust not as a static attribute, but as a dynamic and multidimensional process. By integrating theoretical frameworks with empirical findings, the study aims to uncover both the benefits and the risks associated with trust-based governance and to provide practical insights for managing trust in complex family business contexts.

While the existing literature acknowledges the role of trust in family firms, there remains a lack of comprehensive studies that systematically examine its formation and transmission across multiple dimensions. Previous research has primarily focused on trust's role in governance, leadership succession, and conflict resolution, yet few studies provide a structured analysis of how trust is actively cultivated and passed through generations (Zahra et al., 2008)[9]. This thesis seeks to address this gap by offering an in-depth exploration of trust at its three levels, analyzing its antecedents, characteristics, and long-term effects on business continuity and external partnerships.

Research Methodology: case study and main results.

To address the research question, this study adopts a qualitative research design rooted in a single-case study of *Fratelli Mantova*, an established Italian family firm operating in the edible oil sector since 1905. The methodological approach combines semi-structured interviews with ethnographic fieldwork, enabling the capture of both subjective perceptions and observable practices. Participants included family members in leadership roles, non-family executives, and external stakeholders, allowing for a triangulated understanding of trust dynamics across hierarchical and relational boundaries. Ethnographic immersion further revealed how trust is embedded in routines, rituals, and informal practices that often remain invisible yet profoundly shape organizational life. The case study highlights how *Fratelli Mantova* has managed to preserve its family identity while fostering global competitiveness and innovation. The findings show that trust serves as a central mechanism for mitigating risks typically associated with family businesses, such as nepotism and favoritism, by promoting openness toward external expert managers and encouraging collaborative decision-making. Moreover, trust underpins a positive work environment characterized by psychological safety, creativity, and the freedom to express ideas, while reducing the need for strict monitoring and control. These dynamics not only enhance problem-solving and foresight but also strengthen resilience during times of crisis. Ultimately,

[9] Zahra, S. A., Hayton, J. C., Neubaum, D. O., Dibrell, C., & Craig, J. B. (2008). Culture of family commitment and strategic flexibility: The moderating effect of stewardship. Entrepreneurship Theory and Practice, 32(6), 1035-1054.

transparency, flexibility, and reliability emerge as key outcomes of trust, enabling the firm to embrace innovation and risk-taking without compromising its values or cohesion.

Theoretic and managerial contribution

From a managerial perspective, the study suggests several actionable implications. Family firms should strengthen **organizational structures and role definitions** to balance the informality of trust with clear governance mechanisms, thus preventing risks such as nepotism. They should also prioritize **innovation and customer engagement**, leveraging trust to foster creativity and long-term market relationships. Furthermore, the **modernization and optimization of physical workspaces** can reinforce openness, collaboration, and transparency, while **refining market targeting and positioning** ensures that the firm remains competitive in an increasingly global environment. From a theoretical standpoint, the study contributes to the literature by demonstrating how trust functions as a multi-level construct, intra-family, interpersonal, and institutional, and how it supports resilience, innovation, and internationalization. However, the reliance on a single case study rooted in the Italian cultural context limits generalizability, calling for future cross-cultural and multi-case research to further explore trust dynamics in family firms.

Chapter 1

Foundations of Family Business Dynamics and Socioemotional Wealth Values.

1. Introduction: The Prevalence and Relevance of Family Businesses.

Family businesses represent the cornerstone of economies worldwide, accounting for a substantial share of both small enterprises and multinational corporations. Family Firms account for two-thirds of all business around the world, generating over 70% of annual global GDP (Family Firm Institute, 2017)[10]. They dominate the global scenario, representing more than one third of S&P 500 firms in USA, over 85% of European firms, as well as significantly contributing to the growth of economies in Asia, Latin America and Africa (De Massis, Frattini, Majocchi, & Piscitello, 2018; Eddleston, Jaskiewicz, & Wright, 2019)[11].

Their unique blend of family dynamics and business operations creates a distinctive governance structure, influencing decision-making, long-term orientation, and strategic behavior. Unlike non-family firms, where ownership and management are often separate, family firms intertwine personal relationships with professional responsibilities, leading to both competitive advantages and inherent challenges. Understanding how these businesses sustain their success, navigate generational transitions, and build trust among stakeholders is crucial for comprehending their long-term impact on industries and

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[10] Family Firm Institute. (2017). Global data points.

[11] De Massis, A., Frattini, F., Majocchi, A., & Piscitello, L. (2018). Family firms in the global economy: Toward a deeper understanding of internationalization determinants, processes, and outcomes. *Global Strategy Journal, 8*(1), 3–21.

Eddleston, Kimberly & Jaskiewicz, Peter. (2019). Family firms and internationalization in the Asia-Pacific: the need for multi-level perspectives. Asia Pacific Journal of Management.

economies. At the heart of this structure lies the intangible yet vital asset of trust—essential for cohesion, resilience, and strategic continuity.

1.1 Defining Family Businesses

Over the past decades, family firms have emerged as a leading research subject within financial economics and management[12]. During the last decades, several were the definitions given to the family firms, with the aim of capturing the essence of this specific type of company, whose peculiarities is the heritage bonds than link generation after generation, enriching the different dimensions of the business in a unique manner. Nowadays, there is still a challenge within the academic and business communities due to the lack of a uniform definition of what constitutes a family business. However, family businesses play a crucial role in the global economy, representing a substantial and fruitful segment. Therefore, scholars have deeply questioned themselves about which aspect should be taken into consideration for defining family firms and for reaching a globally shared description for being defined, recognized, regulated and protected.

From the moment that they positively contribute to enhance and increase the global economy; different countries worldwide use different-colored lenses through which the family firms are looked by. For instance, in Europe, most small and medium-sized enterprises (SMEs), particularly micro and small businesses, are family-owned, and most family businesses fall within the SME category. The European commission definition of a family business is mainly based on tangible aspect regarding the asset's ownership and management and is built upon four main pillars that follows:

[12] Villalonga, B., Amit, R., Trujillo, M.-A., & Guzmán, A. (2015). Governance of Family Firms. *Annual Review of Financial Economics, 7*(1), 635–654.

1. Many decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child, or children's direct heirs.
2. Most decision-making rights are indirect or direct.
3. At least one representative of the family or kin is formally involved in the governance of the firm.
4. Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.[13]

Although there is still a healthy debate regarding the criteria that define a family business, researchers have made substantial progress in addressing the "family business definition dilemma"[14] (Astrachan, Klein, & Smyrnios, 2002). There is a growing agreement that defining a family business solely based on traditional demographic criteria, such as the number of family members involved in the business or the percentage of ownership held, is inadequate to fully capture its essence[15](Chrisman, Chua, & Sharma, 2005). Consequently, the focus has shifted toward elements like intention, involvement, influence, and vision to determine whether a business qualifies as a family enterprise

[13] European Commission. (2009). *Family business - Expert group final report*. Directorate-General for Enterprise and Industry.

[14]Astrachan, J. H., Klein, S. B., & Smyrnios, K. X. (2002). The F-PEC Scale of Family Influence: A Proposal for Solving the Family Business Definition Problem1. Family Business Review, 15(1), 45-58.

[15]Chrisman, J. J., Chua, J. H., & Sharma, P. (2005). Trends and Directions in the Development of a Strategic Management Theory of the Family Firm. Entrepreneurship Theory and Practice, 29(5), 555-575.

(Chrisman, Chua, & Sharma, 2005; Klein, Astrachan, & Smyrnios, 2005; Litz, 1995; Westhead & Cowling, 1998.)[16]

In this thesis, I will therefore follow the definition of family firms proposed by Chua et al. (1999):

"Governed and/or managed with the intention to shape and/or pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families."[17]

From a strategic management standpoint, the founder plays a pivotal role in shaping the mindset, motivations, values, objectives, and attitudes of the organization's leadership. This influence extends beyond internal management, as founders also help define the strategic direction of the family business and its interactions with the external environment. This concept is known as "founder centrality" and is evident even in companies that have since transitioned beyond family control. Figures such as Walt Disney at The Walt Disney Company, Henry Ford at Ford Motor Company, and Adolphus Busch at Anheuser-Busch Corporation exemplify how founders establish core values, strategic priorities, and problem-solving approaches that continue to shape their enterprises long after their direct involvement. [18]

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[16] Chrisman, J. J., Chua, J. H., & Sharma, P. (2005). Trends and directions in the development of a strategic management theory of the family firm. *Entrepreneurship Theory and Practice*, 29(5), 555–576.

[17]Chua, J. H., Chrisman, J. J., & Sharma, P. (1999). Defining the Family Business by Behavior. Entrepreneurship Theory and Practice, 23(4), 19-39.

[18] Crittenden, William & Athanassiou, Nicholas & Kelly, Louise. (2000). Founder Centrality and Strategic Behavior in the Family-Owned Firm. Entrepreneurship Theory and Practice. 25. 27-42.

Concerning the intention of handing down the business to future generations, it is widely demonstrated that family businesses are deeply influenced by a unique desire for transgenerational continuation of the business[19]. The succession phase is one of the most critical in the family firm life cycle, since the future firm performance and successfulness will depend upon the ability of the successors to run the business. It has been largely demonstrated that, incumbents tend to prefer to leave the business to their offspring rather than no family members as they perceive this succession path as an opportunity for remaining involved in and informed about the firm and as a promise for continued family legacy (Zellweger, Kellermanns, Chrisman,& Chua, 2012)[20]. Moreover, apart from the willingness to remain part of the business, the founder, as well as the family's members, prioritize the preservation of socio-emotional wealth values (SEW), the assets regarding the family's affective endowments, over the financial values. The importance placed on intangible assets regarding the family's kinship relations, make them reluctant to hand down the business to no-family members, since it would mean an irreversible identity loss.

Having introduced the concept of (SEW), it is essential to explore it further to develop a comprehensive understanding of its significance and impact on various aspects of business management. Indeed, the primary distinction between family and non-family firms lies in the presence of an additional intangible asset that fundamentally alters the way the business is managed. This asset not only broadens the perspectives of family

[19] Miller, D., Steier, L., & Le Breton-Miller, I. (2003). Lost in time: Intergenerational succession, change, and failure in family business. *Journal of business venturing*, *18*(4), 513-531.
Chirico, F., Gómez-Mejia, L. R., Hellerstedt, K., Withers, M., & Nordqvist, M. (2020). To merge, sell, or liquidate? Socioemotional wealth, family control, and the choice of business exit. *Journal of Management*, *46*(8), 1342-1379.
[20] Zellweger, T., Kellermanns, F. W., Chrisman, J. J., & Chua, J. H. (2012). Family control and family firm valuation by family CEOs: The importance of intentions for transgenerational control. Organization Science, 23, 851-868.

members but also serves as a guiding force in the decision-making process, ensuring the simultaneous pursuit of both financial and socioemotional objectives.

1.2 Socioemotional Wealth (SEW): The Emotional and Strategic Core.

Socioemotional wealth (SEW) represents the non-financial priorities of family firms, such as family control, identity, and legacy. These goals shape decision-making and influence how trust is built and maintained within the firm. However, SEW also carries bivalent attributes—while it fosters strong internal cohesion and long-term commitment, it can also lead to trust blindness, nepotism, and resistance to external input. Understanding SEW's dual impact is essential to grasp how trust operates at different levels within family businesses.

Socioemotional Wealth (SEW) goals serve as the defining characteristic that sets family businesses apart from non-family enterprises, deeply enriching their management processes and shaping their distinctive nature. SEW encompasses a broad spectrum of elements, including trust emotions, feelings, authority, love, respect, and family traditions, all of which are safeguarded and prioritized within the organization. These values become a governance mechanism that foster a family-like environment where the well-being of family members, as well as the preservation of their integrity and unity, remains at the forefront of business priorities. More technically, the socio-emotional wealth goals refer to non-economic issues related to family members' affective endowment (Berrone et al. 2012),[21] and they can be divided into five categories:

1. Family control and influence.
2. Identification of family members with the firm.
3. Binding social ties.

[21] Cennamo, C., Berrone, P., Cruz, C., & Gomez–Mejia, L. R. (2012). Socioemotional Wealth and Proactive Stakeholder Engagement: Why Family–Controlled Firms Care More about their stakeholders. *Entrepreneurship Theory and Practice*, *36*(6), 1153-1173.

4. Emotional attachment.

5. Renewal of family bonds to the firm through dynastic succession.

These dimensions of SEW can have different weights depending on the preferences of the owning family (Berrone et al. 2012).

1)<u>Family control and influence</u>

Family control and influence refer to the deliberate intent of family members to retain authority over strategic decisions and business operations, often exhibiting resistance to delegating responsibilities or decision-making power to external managers. This dimension of Socioemotional Wealth (SEW) significantly impacts the firm's governance, shaping both internal business processes and strategies for expansion, including domestic growth and internationalization.

1)<u>Identification of family members with the firm</u>

Conversely, the identification of family members with the firm highlights the profound emotional and reputational bond between the two entities. The business becomes an extension of the family, with their identities, values, and public perception becoming deeply intertwined to the extent that distinguishing between the family and the firm becomes nearly impossible. Existing research indicates that the social status of family members becomes deeply intertwined with the identity of the organization, often reflected in the firm's name (Tagiuri & Davis, 1996)[22]. Given this strong connection, the family's reputation becomes closely linked to the business's continuity and success (Anderson & Reeb, 2003)[23]. Consequently, any risk to the firm's reputation is perceived

[22] Tagiuri R. & Davis J. (1996). Bivalent attributes of the family firm. *Family Business Review*, 9(2), 199–208.

[23] Anderson R.C. & Reeb D.V. (2003). Founding family ownership and the agency cost of debt. *Journal of Financial Economics*, 68(2), 263–285.

not only as a threat to the business itself but also as an existential danger to the individual identities of family members and the family's legacy (Adams, Taschian, & Shore, 1996; Dyer & Whetten, 2006; Kets de Vries, 1993; Zellweger, Eddleston, & Kellermanns, 2010)[24].

2)<u>Binding social ties</u>

Binding social ties refer to strong, trust-based relationships that create enduring networks of support within and outside organizations, facilitating knowledge exchange, collaboration, and long-term stability (Berrone et al., 2012)[25] These ties operate at multiple levels: within the family, among employees, and with external stakeholders, influencing firm governance and strategic decisions (Gòmez-Mejía et al., 2007). [26]

These ties exist at three levels:

1. Intra-family relationships: Strengthen cohesion, succession planning, and governance (Arregle et al., 2007)[27].
2. Employee and stakeholder relationships: Extend trust to non-family employees, suppliers, and advisors, fostering commitment and reducing agency conflicts (Miller & Le Breton-Miller, 2005)[28].

[24] Adams J.S., Taschian A., & Shore T.H. (1996). Ethics in family and non–family–owned firms: An exploratory study. *Family Business Review*, 9(2), 157–170.
[25] Berrone, P., Cruz, C., & Gómez-Mejía, L. R. (2012). Socioemotional Wealth in Family Firms: Theoretical Dimensions, Assessment Approaches, and Agenda for Future Research. Family Business Review, 25(3), 258-279.
[26] Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J. L., & Moyano-Fuentes, J. (2007). Socioemotional Wealth and Business Risks in Family-controlled Firms: Evidence from Spanish Olive Oil Mills. *Administrative Science Quarterly, 52*(1), 106-137.
[27] Arregle, J.-L., Hitt, M. A., Sirmon, D. G., & Very, P. (2007). The Development of Organizational Social Capital: Attributes of Family Firms. *Journal of Management Studies, 44*(1), 73-95.
[28] Miller, D., & Le Breton-Miller, I. (2005). Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses. *Harvard Business Review Press.*

3. Community and external networks – Build long-term partnerships with business partners, local institutions, and customers, reinforcing social capital (Uzzi, 1997)[29].

Family firms are well-positioned to encourage entrepreneurship and innovation, support strategic renewal through trusted relationships, and draw on social capital for resilience during crises (Sirmon & Hitt, 2003)[30].

However, excessive reliance on binding social ties can limit adaptability and professionalization, requiring firms to balance trust with strategic control (Chrisman, Chua, & Steier, 2005)[31].

3) Emotional attachment.

Emotional attachment in a family business refers to the deep, affective connection family members feel towards ‘their business’. Emotional ownership in family businesses often extends beyond mere financial interest, encompassing a profound connection driven by identity, pride, and personal attachment. This emotional bond, often rooted in the business's history and generational involvement, shapes the business's operations, succession, and long-term sustainability.

Moreover, the emotional attachment that family members have toward their business translates into a higher level of commitment and dedication. Their loyalty to the firm is deeply intertwined with their loyalty to their relatives, reinforcing a strong sense of mission, teamwork, and a collective desire to achieve business goals to honor the family

[29] Uzzi, B. (1997). Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness. *Administrative Science Quarterly, 42*(1), 35-67.
[30] Sirmon, D. G., & Hitt, M. A. (2003). Managing resources: Linking unique resources, management, and wealth creation in family firms. *Entrepreneurship Theory and Practice, 27*(4), 339–358. https://doi.org/10.1111/1540-8520.t01-1-00013
[31] Chrisman, J. J., Chua, J. H., & Steier, L. P. (2005). Sources and Consequences of Distinctive Familiness: An Introduction. *Entrepreneurship Theory and Practice, 29*(3), 237-247

name. This emotional connection, combined with other Socioemotional Wealth (SEW) objectives, contributes to a greater sense of leadership unity[32] within family firms.

4) Renewal of family bonds

The family's commitment to ensuring the continuity of the business across generations is a defining characteristic of family firms. The aspiration to sustain the enterprise for future generations is widely regarded as a fundamental objective of family businesses. This dynastic intention reflects the principal family members' desire to pass the business down to their descendants, reinforcing their long-term vision and legacy (Berrone et al., 2012).

Indeed, one of the most distinctive characteristics of family firms, stemming from their Socioemotional Wealth (SEW) golas , is their long-term orientation. The commitment to sustaining the business and transferring it across generations fosters a greater willingness to invest in projects that require extended time horizons to yield financial returns. Unlike non-family firms, which may prioritize short-term profitability, family businesses exhibit greater resilience and patience, allowing them to pursue investments with long-term benefits.

This perspective means that even if an investment takes longer to generate profits, the intention to pass the business on to future generations reinforces a focus on long-term stability over immediate financial gains. As a result, family firms often prioritize sustainable growth, strategic continuity, and enduring stakeholder relationships, ensuring the business's longevity and preserving its legacy across generations.

[32] Leadership unity: refers to the ability of organization members to understand and trust one another, facilitating swift and decisive strategic decision-making.

Family firms navigate a complex strategic landscape characterized by a "mixed gamble" (Gomez-Mejia, Patel, & Zellweger, 2018),[33] in which they must carefully balance potential gains and losses across two distinct yet interdependent forms of wealth: financial capital and socioemotional wealth (SEW). While these firms evaluate their strategic choices through both economic and non-economic lenses, the prioritization of socioemotional considerations often takes precedence over financial objectives, particularly for family members (Arregle, Duran).[34] As a result, decision-making within family firms is frequently shaped by the inherent trade-offs between these two dimensions, where improvements in one area may come at the expense of the other (Kotlar et al., 2018)[35]. Despite this dynamic interplay, the preservation of SEW remains the central non-economic reference point guiding strategic decisions, underscoring its critical role in shaping the long-term orientation and governance of family businesses (Gomez-Mejia et al., 2011).[36]

The presence of socioemotional wealth (SEW) goals plays a pivotal role in shaping family firms' attitudes toward risk, with trust serving as a fundamental element in this dynamic. While family businesses are not inherently more or less risk-averse than their non-family counterparts, their risk orientation is deeply influenced by their commitment to preserving SEW, which encompasses family control, reputation, and legacy. Trust—both within the family and in external relationships—acts as a crucial mechanism that reinforces these priorities. Specifically, family firms tend to exercise greater caution when risks threaten their socioemotional endowment, as a loss of trust could undermine

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[33] Gomez-Mejia, L. R., Patel, P. C., & Zellweger, T. M. (2018). In the Horns of the Dilemma: Socioemotional Wealth, Financial Wealth, and Acquisitions in Family Firms. *Journal of Management*, *44*(4), 1369-1397.
[34] Arregle, J., Duran, P., Hitt, M. A., & van Essen, M. (2017). Why is Family Firms' Internationalization Unique? A Meta–Analysis. *Entrepreneurship Theory and Practice*, *41*(5), 801-831.
[35] De Massis, A., Kotlar, J., & Manelli, L. (2021). Family Firms, Family Boundary Organizations, and the Family-Related Organizational Ecosystem. *Family Business Review*, *34*(4), 350-364.
[36] Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The Bind that Ties: Socioemotional Wealth Preservation in Family Firms. *The Academy of Management Annals*, *5*(1), 653–707. https://doi.org/10.1080/19416520.2011.593320

family cohesion, stakeholder confidence, and long-term continuity. Conversely, their strong reliance on trust-based relationships often enables family firms to tolerate greater financial risks, especially when pursuing long-term investments or strategic partnerships. This distinctive approach to risk reflects how the desire to preserve family legacy and build enduring trust shapes strategic decisions, enhancing both long-term stability and openness to new business opportunities.

1.3 bivalent attributes of family firms: double sword-edge features.

The distinctive structure of family firms gives rise to several bivalent attributes that can function as both strengths and weaknesses, shaping their governance, resource allocation, and strategic decision-making.

1) **The Overlap of Management and Ownership**: In most family firms, the roles of owner and manager often overlap, bringing both advantages and challenges. This convergence helps reduce traditional agency costs by minimizing the risk of managerial opportunism. However, it can also intensify agency conflicts due to family-based altruism, where decisions—especially about leadership succession—may favor heirs over more competent candidates. Such bias can compromise transparency, efficiency, and the firm's long-term sustainability.
2) **Family-Influenced Resource Base:** Family firms benefit from unique resources such as generational tacit knowledge, patient capital, and trusted networks, which preserve tradition and support competitive differentiation. However, these advantages can become limitations. Dependence on internal networks may restrict access to external capital and talent, while cognitive biases can lead to favoring family hires over more qualified outsiders, potentially hindering innovation and adaptability.

3) **Long-Term Orientation:** A long-term strategic focus allows family firms to tolerate uncertainty and build resilience, fostering sustainable growth. Yet, this perspective can also cause inertia, risk aversion, and missed opportunities—especially when firms avoid disruptive changes necessary for innovation or expansion.
4) **Family-Influenced Culture:** The culture of trust, loyalty, and emotional investment promotes commitment and unity, reinforcing long-term goals. However, it may also lead to excessive control, resistance to external input, and fear of change. Personal ties can interfere with objective decision-making, stifling innovation and adaptability.
5) **Shared Identity:** A strong sense of mission and unity strengthens cohesion and long-term vision, especially among family employees. Yet, the constant scrutiny from family members may suppress risk-taking and independent thinking, ultimately limiting personal growth and organizational renewal if new perspectives are not welcomed.
6) **Simultaneous Roles and Decision-Making:** Overlapping familial and managerial roles enhance speed and trust in decision-making, thanks to informal coordination. However, they may also blur professional boundaries, create confusion, and inject subjectivity into business choices—particularly when emotional dynamics overshadow strategic logic.

1.4 Internationalization and Governance Challenges

The international expansion of family firms has been the subject of extensive academic debate. Due to their structural and cultural uniqueness, family firms follow highly individualized paths in their approach to global growth. Their strategies are influenced by values, governance structures, and socioemotional priorities, which makes it difficult to apply a universal model to all family firms.

One of the key variables shaping internationalization is socioemotional wealth (SEW)**.** Deep local embeddedness, along with strong ties to tradition and community, drives many family firms to prioritize stable local partnerships over uncertain international ventures (Baù et al., 2019). While this local focus fosters trust and continuity, it may discourage risk-taking in unfamiliar environments.

Additionally, the reputational link between the family and the firm influences expansion strategies. Family firms perceive alliances or outsourcing as risky due to the potential SEW loss associated with failure. A failed venture may not only hurt business performance but also damage family legacy. Consequently, family firms are often cautious when evaluating cross-border opportunities.

Nevertheless, the concept of **familiness**, the unique resource endowment resulting from family involvement, can both enable and constrain international growth. Long-term vision and agile decision-making can serve as growth enablers. However, family firms often fear losing control and resist bringing in outside expertise, which can become a barrier to global expansion.

Therefore, whether family firms internationalize more or less than non-family firms cannot be determined a priori. One critical factor in this evaluation is the presence of bifurcation bias.

1.4.1 Bifurcation bias.

Bifurcation bias occurs when family firms, due to a degeneration of SEW values, systematically privilege family assets over non-family ones. Family members are seen as unique, heritage assets, while non-family contributors are undervalued. This bias affects core activities like recruitment, performance evaluation, and compensation, leading to blind trust in family members and skepticism toward outsiders.

This distortion often reduces objectivity in decision-making (Dyer, 2006)[37], particularly during international expansion, where strategic flexibility and openness to partnerships are crucial. Bifurcation-biased firms struggle to assess the transferability of their internal resources and are reluctant to integrate external capabilities. Trust plays a dual role: high intra-family trust may reinforce bifurcation bias, while trust in external actors can counteract it. Building trust with non-family stakeholders, such as international partners or external executives, facilitates resource recombination and balanced decision-making (Verbeke, Yuan, & Kano, 2020)[38].

1.4.2 Governance Problems.

When family members are trust-blind—excessively relying on familial bonds without critically assessing competence and external perspectives—family firms risk encountering significant governance challenges. Due to their strong attachment to socio-emotional wealth, these firms must carefully balance financial and emotional objectives. Trust blindness can reinforce cognitive biases, leading to irrational decision-making that

[37] Dyer, W.G., Jr. (2006), Examining the "Family Effect" on Firm Performance. Family Business Review, 19: 253-273

[38] Verbeke, A., Yuan, W., & Kano, L. (2020). A values-based analysis of bifurcation bias and its impact on family firm internationalization. *Asia Pacific Journal of Management*, 37(2), 449–477.

prioritizes family unity over strategic efficiency. If the influence of socio-emotional wealth is not managed effectively, four key governance challenges may arise.

1) *Altruism-Induced Governance Problems.*

The familial nature of these firms often leads to a preference for family members over non-family employees, creating governance inefficiencies. Parents may favor their children in leadership roles, while children, under intergenerational altruism norms, feel obligated to support their parents. This dynamic can result in: adverse selection - where family ties take precedence over competence in hiring and promotions - difficulties in holding underperforming family members accountable and a tendency for family members to engage in shirking or free-riding, knowing that sanctions are unlikely.

2) *Owner Holdup Governance Problems.*

When family owners supervise non-family managers, they may exert excessive control over the firm's direction, often prioritizing personal interests over business growth. A key example is resistance to international expansion, as it would require bringing in external management. This reluctance can make it difficult to: Attract and retain skilled non-family managers, motivate employees to go beyond basic responsibilities and foster an environment conducive to innovation and global competitiveness.

3) *Majority-Minority Owner Governance Problems.*

In family firms with both controlling and minority owners, conflicts may arise over goals, risk tolerance, and access to strategic information. Family owners may use their dominant position to govern as if the firm were solely theirs, potentially leading to: Disagreements over long-term strategic decisions tensions regarding financial risk-taking and dividend policies and minority owners feeling excluded or disadvantaged in decision-making processes.

4) *Family Block holder Governance Problem.*

Even within the family ownership group, differing perspectives can create governance challenges. Disagreements may emerge over: Investment strategies, the role and influence of family members in leadership positions and Issues related to board representation, share transfers, and family employment policies.

Effectively managing trust is crucial for mitigating governance problems in family firms. While trust strengthens cohesion and long-term orientation, excessive trust blindness can lead to nepotism, resistance to external expertise, and inefficient decision-making. Striking a balance between intra-family trust and structured governance mechanisms ensures that socio-emotional wealth is preserved without compromising strategic and financial rationality.

Given the importance of trust, the following section will explore its magnitude, role, and the three distinct levels at which it operates within family firms: intra-family trust, inter-family trust, and institutional trust. By examining the types, antecedents, and outcomes of trust at each level, we will gain a deeper understanding of its impact on family business dynamics and long-term sustainability.

Managing trust is essential to navigate internationalization and internal governance effectively. While trust fosters cohesion and long-term orientation, excessive intra-family trust can produce rigidity, nepotism, and strategic inertia. A balanced approach—where intra-family trust is supplemented by trust in external stakeholders and supported by formal governance mechanisms—ensures SEW is protected without sacrificing business adaptability and competitiveness.

Chapter 2

Trust in family business: definition, types and the three levels of trust

2. The role of "Trust" in family businesses.

The central focus of this thesis is the pivotal role of trust in family businesses, examining how it shapes interpersonal interactions and influences the overall performance of the firm. Before delving into the various dimensions of this complex and multifaceted concept, it is essential to begin with a foundational definition of trust. This approach ensures a comprehensive understanding of a term that has been the subject of extensive academic debate over the decades.

A major challenge in defining trust stems from its omnipresence in human relationships, an invisible yet fundamental mechanism that governs interactions throughout an individual's life. From early childhood to everyday encounters, trust functions as the gravitational force within the "solar system" of relationships, a thermometer that measures the success or failure of human interactions. It operates as a guiding principle in societal structures, serving as an essential yet fragile asset, difficult to build, yet remarkably easy to lose.

The significance of trust extends across various disciplines, highlighting its impact on key areas such as communication (Giffin, 1967)[39], leadership (Atwater, 1988)[40] management by objectives (Scott, 1980)[41] negotiation (Bazerman, 1994)[42], game theory (Milgrom &

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[39] Giffin, K. 1967. The contribution of studies of source credibility to a theory of interpersonal trust in the communication department. Psychological Bulletin, 68: 104-120.

[40] Atwater, L. E. 1988. The relative importance of situational and individual variables in pre-dicting leader behavior. Group and Organization Studies. 13: 290-310

[41] Scott, D. 1980. The causal relationship between trust and the assessed value of management by objectives. Journal of Management, 6: 157-175.

[42] Bazerman, M. H. 1994. Judgment in managerial decision making. New York: Wiley.

Roberts, 1992)[43], performance appraisal (Cummings, 1983)[44], labor-management relations (Taylor, 1989)[45], and the implementation of self-managed work teams (Lawler, 1992)[46]. Given its far-reaching implications, understanding trust within the context of family businesses is essential for exploring its role in fostering cooperation, sustaining long-term relationships, and driving organizational success.

2.1 Defining Trust: Common Traits and Technical Definitions

It is evident that the literature does not offer a singular, universally accepted definition of trust, as delineating clear boundaries around such a multifaceted and expansive concept proves to be unfeasible. Nevertheless, numerous scholars have attempted to provide a technical interpretation of this intangible yet powerful mechanism. Despite the diversity of perspectives, a common thread among many definitions is the close association of trust with vulnerability and an inherent willingness to take risks. These elements are widely recognized as fundamental components of trust, highlighting the delicate balance between reliance on others and the potential for uncertainty in relationships.

In the business context, trust can be defined as follows:

"Trust is the willingness to be vulnerable and take risks in relationships, assuming that others will act with integrity and commitment."[47]

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[43] Milgrom, P., & Roberts. J. 1992. Economics organization and management EnglewoodCliffs, NJ: Prentice Hall.
[44] Cummings, L. L. 1983. Performance-evaluation systems in context of individual trust and commitment. In f. 1. Landv. S. Zedrick. & J. Cleveland (Eds.). Performance measurement:and theory 89-93. Hillsdale N. J: Earlbaum.
[45] Taylor, R. G. 1989. The role of trust in labor-management relations. Organization Development Journal, 7: 85-89
[46] Lawler, E. 1992. The ultimate advantage: Creating the high-involvement organization. SanFrancisco: Jossey-Bass.
[47] McAllister, D. J. (1995). *Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations.* Academy of Management Journal, 38(1), 24–59.

2.1.2 Why Trust Matters in Family Firms

The emphasis on building and maintaining trust-based relationships is widely considered a precursor to several positive organizational outcomes. The increasing interest in fostering trust between organizations stems from the belief that trust enhances business performance. For instance, trust has been identified as a key factor in the success of partnerships, strategic alliances, and networks of small firms. Moreover, trust plays a crucial role in sustaining competitive advantage, as maintaining consistently high quality—an essential element of competitiveness—is significantly more attainable in a high-trust production system than in a low-trust one (Sako, 1992).[48]

It may be intuitive to assume that the process of building trust encounters greater challenges in non-family businesses, where the risks associated with self-serving behaviors, or the pursuit of individual interests are more likely to arise. In the absence of blood ties, the moral and ethical principles guiding behavior may be less deeply ingrained, making it harder to establish trust among partners. As a natural consequence, it could be argued that trust formation in family businesses is inherently easier, as familial bonds provide a foundation of inherited trust that does not require deliberate construction or validation.

However, several studies challenge this assumption, demonstrating that trust is not genetically transmitted across generations but rather a dynamic and fragile element within family firms. Instead of being an automatic asset, trust often generates tensions among family members, making it difficult to balance and sustain. Breaches of duty, whether in terms of care or loyalty between siblings or relatives, can lead to severe and

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[48] Sako, M. (1992). *Prices, Quality and Trust: Inter-firm Relations in Britain and Japan*. Cambridge University Press.

long-lasting consequences for both the family and the business. The scars left by broken trust within family relationships are often deeper and more difficult to repair than those in non-family business settings.

Furthermore, the integration of non-family members into the firm, an increasingly common occurrence in most family businesses worldwide, adds an additional layer of complexity. Not only must family members uphold principles of goodwill and integrity for the sake of the business and family honor, but they must also navigate the risks of vulnerability when engaging with external stakeholders. This dynamic presents a double-edged sword that requires careful management to ensure that trust, both within the family and beyond, serves as a source of strength rather than a potential point of failure.

2.2 Types of trust.

1) ***Affective trust.***

Affective trust is emotionally driven trust that develops through shared experiences, strong personal bonds, and long-term relationships within a family business. Unlike cognitive trust, which is built on rational evaluations of competence, affective trust relies on feelings of attachment, empathy, and loyalty (McAllister, 1995). This form of trust plays a critical role in the governance and succession of family businesses, as it fosters cohesion but can also create challenges when emotional loyalty outweighs objective decision-making (Eddleston & Kellermanns, 2007). While affective trust strengthens collaboration and emotional commitment, it may also result in nepotism, favoritism, and resistance to external professionalization.

The key characteristics of affective trust are:

1. **Emotional Connection** – Affective trust is shaped through deep personal bonds rather than transactional exchanges. In family firms, such connections are reinforced by shared childhood experiences, family traditions, and long-standing relationships (McAllister, 1995)[49].
2. **Shared Identity & Family Bonds** – A strong sense of belonging and collective identity often underpins affective trust, encouraging loyalty and long-term commitment. However, this emotional attachment can hinder openness to change when new leadership challenges established norms (Eddleston & Kellermanns, 2007)[50].
3. **Personal Loyalty & Long-Term Commitment** – Family members frequently expect lifelong support and reciprocity, reinforcing mutual trust. Although this can enhance business stability, it can also lead to governance issues when decisions prioritize personal loyalty over competence (Sundaramurthy, 2008)[51].

When the decisions are based on a degeneration of affective trust that overtake the family's members rationality, this can lead to have serious governance problem. Chief among them, the altruism induced governance problem, based on the assumption that parents tend to favor and support their children over the no-family members, resulting in prioritizing the family assets over the competence of members.

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[49] McAllister, D. J. (1995). Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations. *Academy of Management Journal*, 38(1), 24–59. https://doi.org/10.2307/256727

[51] Sundaramurthy, C. (2008). Sustaining trust within family businesses. *Family Business Review*, 21(1), 89–102. https://doi.org/10.1111/j.1741-6248.2007.00110.x

2) Cognitive Trust

Cognitive trust is built upon a rational evaluation of another party's competence, reliability, and predictability in fulfilling their responsibilities (Mayer, Davis, & Schoorman, 1995)[52]. Unlike affective trust, which is grounded in emotional bonds and interpersonal warmth, cognitive trust develops through observable behaviors and proven expertise. Within family businesses, this form of trust is essential for ensuring effective governance, leadership transitions, and decision-making processes based on merit rather than inherited status.

The key elements of cognitive trust are:

1. **Competence**: Trust arises when an individual is perceived as capable and skilled in their role. Family business leaders must demonstrate technical knowledge, strategic foresight, and leadership effectiveness to earn trust from relatives and employees.
2. **Reliability**: Cognitive trust is strengthened when individuals consistently meet expectations and fulfill commitments. In a family business, this implies dependable and transparent governance practices.
3. **Predictability**: Trust is reinforced when a person's actions and responses remain consistent over time, enabling others to anticipate their behavior with confidence.

One of the most significant advantages of cognitive trust in family businesses is its ability to mitigate nepotism. Since it prioritizes merit over familial loyalty, cognitive trust helps ensure that leadership positions are assigned based on skills, knowledge, and

[52] Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of Management Review*, **20**(3), 709–734. https://doi.org/10.5465/amr.1995.9508080335

qualifications, rather than emotional attachments. This fosters a more professional and accountable governance system, where decisions are grounded in objective criteria rather than tradition or inheritance.

Trust within family firms can therefore be understood in different forms: **affective trust**, rooted in emotional closeness and loyalty; **cognitive trust**, built on competence and reliability; and **stewardship trust**, which emerges when individuals prioritize collective responsibility and the firm's long-term success over personal gain.

3) Stewardship-Based Trust.

Stewardship theory views family leaders as trustworthy representatives of the family who seek to build enduring relationships with stakeholders and grow the firm for future generations (Eddleston & Kellermanns, 2007) highlights the social capital, trust, and reputational assets available to family leaders.

Stewardship-based trust in family businesses is founded on the belief that leaders act not as self-interested agents but as stewards who prioritize the long-term well-being of the firm over personal financial gain. Unlike traditional corporate governance models that emphasize strict monitoring mechanisms to prevent opportunistic behavior, Stewardship Theory suggests that family members are inherently motivated to act in the best interest of the firm because of their emotional, financial, and legacy-driven commitment (Eddleston & Kellermanns, 2007). Stewardship-based trust fosters ethical governance, long-term strategic vision, and responsible leadership, ensuring that business decisions are guided by principles rather than short-term profits (Davis et al., 1997). The key characteristics of stewardship-based trust are:

1. A Deep-Rooted Commitment to Shared Values and Collective Responsibility: Family firms that operate with high levels of stewardship trust prioritize business

continuity over immediate financial rewards, ensuring that their actions align with long-term family values (Davis et al., 1997)[53]. This means that decision-making is often influenced by tradition, ethical considerations, and the preservation of a strong reputation rather than short-term financial incentives.

2. Intergenerational Knowledge Transfer and Collaboration: Stewardship-based trust encourages collaboration between generations, as older family members believe that successors will uphold the firm's legacy and values. This trust facilitates the open sharing of knowledge, strategic decision-making, and business insights across generations, ensuring a smooth transition of leadership (Eddleston & Kellermanns, 2007).
3. A Natural Safeguard Against Opportunistic Behavior: Unlike contractual or institutional trust, which relies on formal mechanisms to prevent self-serving actions, stewardship trust organically limits opportunistic behavior within family firms. This reduces conflicts related to power struggles, succession disputes, and governance failures (Davis et al., 1997).

4) Relational Trust

Relational trust develops over time as family businesses engage in repeated transactions, fostering expectations of reciprocity, ethical behavior, and cooperation. This type of trust is particularly important in industries where continuity, consistency, and long-term partnerships are valued.[54] Relational trust is particularly strong among family firms, as they tend to emphasize long-term orientation over short-term profits,

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[53]Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). *Toward a Stewardship Theory of Management.* Academy of Management Review, 22(1), 20–47.

[54] Kimberly A. Eddleston, Robert M. Morgan, Trust, commitment and relationships in family business: Challenging conventional wisdom, Journal of Family Business Strategy, Volume 5, Issue 3,2014,Pages 213-216.

reducing opportunistic behavior and enhancing supply chain efficiency. the key characteristics are:

1) Built on shared history: strengthened through past successful collaborations and long-standing relationships.
2) Driven by reputation and reciprocity: sach firm is motivated to uphold ethical behavior to maintain trust.
3) Reduces reliance on legal contracts: trust replaces the need for formal agreements, allowing for flexibility and efficiency in business dealings.

5) Network-Based Trust

Network-based trust emerges from social ties, industry affiliations, and third-party recommendations. It is common in family business ecosystems, where trust is transferred through word-of-mouth and shared affiliations. Network-based trust is particularly useful in internationalization strategies, as family firms prefer to expand through trusted networks rather than open-market partnerships. The key characteristics are:

a. Facilitated by referrals and endorsements, trust is built based on previous positive experiences within the network.
b. Encourages business clustering, family firms tend to collaborate within established networks, minimizing risk.
c. Reduces information asymmetry, Trust-based networks provide market intelligence and risk mitigation.

6) Contractual Trust

Contractual trust is established through legally binding agreements, governance mechanisms, and formal contracts. While family businesses often prefer informal agreements, formal contracts become necessary in high-value partnerships, joint ventures, and international collaborations. Although formal contracts provide structure, they are most effective when combined with relational trust, as over-reliance on legal mechanisms may erode long-term flexibility. The key Characteristics are:

1) Ensures legal protection: Clearly defines roles, responsibilities, and dispute resolution processes.
2) Common in cross-border collaborations: Used when operating in diverse regulatory environments.
3) Helps manage ownership and succession planning: Provides clarity in multi-family business partnerships.

7) Normative Trust

Normative trust is based on shared ethical standards, cultural norms, and aligned business philosophies. It ensures that family firms collaborate with partners who share their values, reducing ethical conflicts[55]. Normative trust can enhance business stability, but it may also limit adaptability, as firms may hesitate to engage with non-traditional partners. The key characteristics are:

1) Rooted in long-term vision: Ensures strategic alignment in business continuity and succession planning.
2) Reduces strategic conflicts: Common in partnerships where ethical considerations outweigh financial gains.

[55] Kimberly A. Eddleston, Robert M. Morgan, Trust, commitment and relationships in family business: Challenging conventional wisdom, Journal of Family Business Strategy,
Volume 5, Issue 3, 2014, Pages 213-216, ISSN 1877-8585.

3) Fosters sustainable decision-making: Businesses prioritize ethical sourcing, corporate responsibility, and industry best practices.

Competence Trust

Competence trust is established when one firm recognizes the expertise, skills, and operational effectiveness of another. This form of trust is particularly relevant when businesses rely on each other's technical abilities to enhance performance and innovation . [56]Competence trust is crucial in high-stakes business partnerships, as it ensures that partners can reliably deliver results, reducing failure risks in strategic collaborations . the key characteristics are:

1) Based on performance track record evaluates industry expertise, technological capabilities, and market credibility.
2) Essential for innovation and specialization: Crucial in partnerships where technical know-how and efficiency determine success.
3) Mitigates perceived risk: Reduces uncertainty in collaborations, ensuring consistent and reliable performance.

2.3 Trust and family businesses' relationships: the three levels of trust.

Trust is a fundamental element of family business dynamics, influencing governance, decision-making, and long-term sustainability**.**

[56] Kimberly A. Eddleston, Robert M. Morgan, Trust, commitment and relationships in family business: Challenging conventional wisdom, Journal of Family Business Strategy, Volume 5, Issue 3, 2014,Pages 213-216.

"Trust is described as a governance mechanism that influences decision-making, resource allocation, and organizational stability in family businesses". (*Eddleston, KA; Chrisman, JJ; Steier, LP; Chua, JH 2010)*[57]

Unlike non-family firms—where formalized contracts and institutional mechanisms often regulate relationships—family businesses rely heavily on trust to manage internal dynamics, external partnerships, and interactions with institutions (Eddleston & Morgan, 2014)[58]. Trust in family firms is multidimensional and typically operates at three interrelated levels:

Unlike non-family firms—where formalized contracts and institutional mechanisms often regulate relationships—family businesses rely heavily on trust to manage internal dynamics, external partnerships, and interactions with institutions (Eddleston & Morgan, 2014). Trust in family firms is multidimensional and typically operates at three interrelated levels:

- **Intra-family trust** refers to the trust shared among family members, particularly in critical areas such as succession planning, decision-making, and the transfer of tacit knowledge (Hadjielias et al., 2021).[59]

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[57] Eddleston, K. A., Chrisman, J. J., Steier, L. P., & Chua, J. H. (2010). Governance and trust in family firms: An introduction. *Entrepreneurship Theory and Practice*, **34**(6), 1043–1056. https://doi.org/10.1111/j.1540-6520.2010.00412.x

[58] Kimberly A. Eddleston, Robert M. Morgan, Trust, commitment and relationships in family business: Challenging conventional wisdom, Journal of Family Business Strategy, Volume 5, Issue 3, 2014,Pages 213-216.

[59] Hadjielias, E., Christofi, M., & Tarba, S. Y. (2021). Contextualizing small family firms' resilience during the COVID-19 pandemic: Evidence from two European contexts. *International Small Business Journal*, **39**(7), 619–644. https://doi.org/10.1177/0266242621992150

- **Inter-firm trust** encompasses the trust established between the family firm and its external stakeholders, including suppliers, customers, business partners, and investors.
- **Institutional trust** involves the confidence placed in broader systems like legal frameworks, regulatory bodies, and financial institutions, which is essential for legitimacy and successful internationalization (Kudlats et al., 2019)[60].

Each level carries distinct antecedents and consequences, influencing how family firms engage with their environments and sustain long-term relationships. Within these levels, trust may manifest in various forms—including cognitive, affective, relational, and stewardship-based trust—each shaping the firm's willingness to collaborate, innovate, and adapt to evolving conditions.

2.3.1 Intra-Family Trust: Dimensions, Drivers, and Effects.

Intra-family trust refers to the trust among family members involved in the governance, management, and ownership of a family business. It is a foundational element in ensuring continuity, effective decision-making, and knowledge transfer across generations (Eddleston & Morgan, 2014). Unlike trust in non-family businesses, which is often built through contractual relationships and external governance mechanisms, intra-family trust is deeply embedded in personal relationships, shared experiences, and generational ties (Mazzelli, 2023).

"Trust is characterized as openness and honesty among family members, as well as confidence in a family member's reliability and integrity. It is associated with qualities

[60] Kudlats, J., McDowell, W. C., & Mahto, R. V. (2019**).** Unmasking false dichotomies: How family businesses are both similar to and different from non-family businesses. *Journal of Small Business Strategy*, 29(3), 45–57.

such as consistency, competence, fairness, responsibility, helpfulness, and benevolence".[61]

Trust among family members influences how authority is transferred between generations, how conflicts are resolved, and how business knowledge is passed down (Hadjielias, Christofi, & Tarba, 2021). A high level of intra-family trust can foster cohesion, long-term vision, and stewardship, but its over-reliance can also lead to nepotism, complacency, and exclusion of external expertise (Mazzelli, 2023; Kudlats, McDowell, & Mahto, 2019). Eddleston & Morgan (2014) distinguish between affective trust—based on emotional closeness and loyalty—and cognitive trust—grounded in perceived competence and consistent behavior. A third form, stewardship trust, emerges when family members prioritize collective well-being and ethical leadership (Hadjielias et al., 2021). Moreover, intra-family trust influences strategic behaviors such as internationalization, with high trust potentially reinforcing centralized decision-making and family-centric governance (Casillas et al., 2023). Trust is not static, and its dynamics evolve as the business transitions through generations, influencing succession and governance structures (Mazzelli, 2023).

Intra-family trust is foundational to the stability and continuity of family businesses, shaping relationships, leadership transitions, and strategic decisions. Within this context, trust manifests in three key forms: affective trust, cognitive trust, and stewardship trust. Each of these dimensions plays a distinct role in fostering cohesion, aligning interests, and ensuring the long-term success of the firm. Understanding their interplay is essential to grasp how trust influences intra-family dynamics and business governance.

[61] Michael H. Morris, Roy O. Williams, Jeffrey A. Allen, Ramon A. Avila,
Correlates of success in family business transitions, Journal of Business Venturing, Volume 12, Issue 5, 1997, Pages 385-401.

2.3.2 Antecedents: How Intra-Family Trust Develops.

Trust within family businesses does not emerge spontaneously; rather, it is built over time through a combination of family values, business practices, leadership behaviors, and interpersonal relationships. Intra-family trust is particularly complex because it is influenced by both personal and professional dynamics, making its development a multi-dimensional process (Sundaramurthy, 2008). Research suggests that several key factors contribute to the establishment and maintenance of intra-family trust, shaping the way family members interact and make decisions (Chrisman, Chua, & Steier, 2011)[62]. These factors can be grouped into three major categories: family-based antecedents, business-based antecedents, and individual-based antecedents, each playing a unique role in fostering or undermining trust.

1) Family-Based Antecedents: The Role of Shared Identity and Emotional Bonds.

One of the most fundamental drivers of intra-family trust is the presence of strong family values and a shared commitment to the long-term success of the business. When family members are aligned in their vision and priorities, they are more likely to trust each other's decisions and intentions (Eddleston & Kellermanns, 2007). A family business that places a high emphasis on loyalty, ethical behavior, and collective well-being creates an environment where trust can thrive (Sundaramurthy, 2008).

In addition to shared values, emotional bonds between family members play a critical role in shaping trust. Families with a high level of emotional closeness and mutual support tend to develop stronger trust, as members perceive each other as reliable and well-

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[62]Chrisman, J. J., Chua, J. H., & Steier, L. P. (2011). Resilience of Family Firms: Understanding the Role of Family Influence on Business Success. Entrepreneurship Theory and Practice, 35**(6), 1105–1123.

intentioned (Chrisman et al., 2011)[63]. However, the impact of emotional bonds can be twofold. While they can reinforce trust and strengthen cooperation, they can also lead to blind trust, where rational decision-making is overridden by personal attachment, this can potentially lead to be bifurcation biased. (Sundaramurthy, 2008).

Another important family-based antecedent is intergenerational knowledge transfer. When senior family members actively share business knowledge, industry insights, and strategic advice with the next generation, trust is reinforced (Eddleston & Kellermanns, 2007). This transfer of knowledge serves two purposes: it ensures business continuity and demonstrates confidence in the younger generation's ability to lead. On the other hand, if older family members hoard knowledge or delay succession planning, it can lead to distrust and uncertainty about the future of the business (Chrisman et al., 2011).

2) Individual-Based Antecedents: The Role of Personal Credibility and competence.

Beyond family and business-related factors, individual behaviors and characteristics play a key role in shaping intra-family trust. One of the most significant determinants is the reliability and consistency of a family member's behavior. Trust is built over time through a history of fulfilling commitments, keeping promises, and acting in a responsible manner (Eddleston & Kellermanns, 2007). If a family member has consistently proven themselves to be dependable, their words and actions carry greater weight, strengthening trust within the family.

Competence also plays a crucial role in shaping intra-family trust. Family members who invest in formal education, leadership training, and industry experience are more likely to be perceived as credible and capable leaders (Sundaramurthy, 2008). Therefore, when

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[63] Chrisman, J. J., Chua, J. H., & Steier, L. P. (2011). *Resilience of family firms: An introduction*. *Entrepreneurship Theory and Practice, 35*(6), 1107–1119.

Family members who prioritize the collective well-being of the business over personal interests foster a culture of mutual trust (Eddleston & Kellermanns, 2007).

2.3.3 Constructive Outcomes: How Trust Enhances the Family Business.

The strong emotional component of trust can either strengthen the business's resilience or create structural weaknesses if not carefully managed. Studies, such as those by Azizi, Bidgoli, & Bidgoli (2017), and PwC's Family Business Survey (2023), provide further insights into the impact of trust on firm performance, governance, and long-term sustainability. The outcomes of intra-family trust can be divided into positive and negative effects, depending on how trust is cultivated and applied in decision-making, leadership transitions, and governance structure. The positive outcomes are:

- Commitment towards the business: one of the most widely recognized benefits of intra-family trust is the reinforcement of family commitment to the business. When family members trust one another, they are more likely to work together towards shared goals, ensuring the firm's longevity and sustainability (Chrisman et al., 2011). The PwC Family Business Survey (2023)[64] underscores that trust enhances competitive advantage, with family businesses often enjoying higher trust scores compared to other business types, helping them maintain long-term stability in the market. Furthermore, Bertrand & Schoar (2006) argue that family trust promotes stability but may slow adaptation to market changes and reduce the reactivity in changing the organizational structure as the company grows in size[65].

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[64] PwC Family Business Survey 2023. Transform to Build Trust.

[65] Donaldson, L., & Joffe, G. (2014). Fit - The Key to Organizational Design. *Journal of Organization Design*, *3*(3), 38–45. https://doi.org/10.7146/jod.18424

While the deeply embedded relationships in family firms create a strong foundation, this same stability can sometimes lead to an overemphasis on tradition rather than innovation leading to: internationalization avoidance for mitigating the risks associated with losing the SEW values. Reluctance to open the boards to external cross-borders skilled and expert managers. Dominant perception of tradition as constrains, that limits their capacity of embracing the innovation and having a future-oriented view.

- *More Efficient Succession Planning and Knowledge Transfer.*

A well-documented benefit of intra-family trust is its positive influence on succession planning and leadership transitions. When trust is high, senior generations feel more comfortable transferring control to successor, reducing the likelihood of conflict and succession-related disruptions (Sundaramurthy, 2008). Additionally, Azizi et al. (2017) [66]emphasize that intra-family trust facilitates smoother knowledge transfer, ensuring that critical business insights, strategic know-how, and industry relationships are passed down efficiently. Trust encourages active mentorship and structured leadership development, fostering continuity and resilience. The transfer of competencies and knowledge is crucial in family businesses, where treasury assets enriched with family history, traditions and identity are jealously protected. Research have demonstrated that firms tend to internalize the knowledge intense activity more than no-family firm for maintain them confidential and between the trusted family members.

[66] Azizi, M., Bidgoli, M. S., & Bidgoli, A. S. (2017). Trust in family businesses: A more comprehensive empirical review. Cogent Business & Management, 4 (1).

- *Lower Governance Costs and Increased Operational Efficiency.*

According to the agency theory Strong intra-family trust reduces the need for formal monitoring mechanisms, which often consume time and financial resources in non-family firms. Businesses with high levels of intra-family trust operate with less bureaucratic oversight and fewer legal disputes, as decisions are made based on mutual understanding rather than contractual agreements (Chrisman et al., 2011).

Azizi et al. (2017) further highlight that trust helps streamline relationships and reduces conflicts, allowing family firms to function more cohesively and with greater agility in decision-making, rendering them smooth, quick and more efficient.

- *Enhanced Firm Performance and Competitive Advantage*.

Intra-family trust contributes to higher firm performance, as it facilitates open communication, collaboration, and shared vision (PwC Family Business Survey, 2023). When trust levels are high, employees, both family and non-family, feel a stronger sense of loyalty and engagement, leading to better overall productivity and innovation. Azizi et al. (2017) found that trust reduces opportunistic behavior and enhances collaboration, which ultimately strengthens relationships with external stakeholders such as suppliers and investors. This gives family businesses a sustained competitive edge, as long-term partnerships are built on credibility and reliability.

2.3.4 Destructive Outcomes: Risks of Excessive Intra-Family Trust.

Over-reliance and trust blindness can have destructive outcomes for the family firms:

- *Nepotism and Favoritism in Leadership Selection*

One of the major risks of over-reliance on intra-family trust is that leadership roles may be assigned based on emotional relationships rather than competence (Sundaramurthy, 2008). This is particularly evident in cases where business owners prioritize their children's succession over more qualified non-family executives, even if the successors lack the necessary skills to manage the firm effectively (Bertrand & Schoar, 2006)[67].

- *Resistance to External Expertise and Professionalization*

Family firms with deep-rooted trust among members often resist hiring external executives, consultants, or advisors, fearing that non-family influences might disrupt their values and decision-making culture (Chrisman et al., 2011). Bertrand & Schoar (2006) argue that trust within family firms can act as a double-edged sword, providing stability but also fostering rigidity and an unwillingness to adapt to changing market dynamics. This trust-based negative outcomes often lead to bifurcation bias[68]. While the deeply embedded relationships in family firms create a strong foundation, this same stability can sometimes lead to an overemphasis on tradition rather than innovation leading to: internationalization avoidance for mitigating the risks associated with losing the SEW values. Reluctance to open the boards to external cross-borders skilled and expert managers. Dominant perception of tradition as constrains, that limits their capacity of embracing the innovation and having a future-oriented view

[67] Bertrand, M., & Schoar, A. (2006). The Role of Family in Family Firms. Journal of Economic Perspectives, 20(2), 73–96.
[68] Bifurcation bias is an always negative phenomenon caused by a degeneration of the socio-emotional wealth values inducing the family members to treat systematically, always and by default the family members differently against the no-family members. Verbeke, A., & Kano, L. (2012). The Transaction Cost Economics Theory of the Family Firm: Family–Based Human Asset Specificity and the Bifurcation Bias. *Entrepreneurship Theory and Practice*, *36*(6), 1183-1205. Kano L, Verbeke A. Family firm internationalization: Heritage assets and the impact of bifurcation bias. *Global Strategy Journal*. 2018; 8: 158–183. https://doi.org/10.1002/gsj.1186

3) Lack of Accountability and Governance Failures

Another risk associated with excessive intra-family trust is the lack of accountability mechanisms. When family members operate on implicit trust rather than formal governance structures, there is an increased risk of financial mismanagement and unethical behavior (Sundaramurthy, 2008). Azizi et al. (2017) emphasize that trust without oversight can lead to complacency, where certain family members act in self-serving ways without facing consequences. Without clear governance structures, businesses may struggle to implement performance-based accountability, leading to inefficiencies and potential conflicts.

2.4 Inter-Firm Trust: Foundations, Antecedents, and Implications.

Inter-firm trust constitutes a fundamental element in the relationships that family businesses establish with external stakeholders, including other family firms, suppliers, financial institutions, and strategic business partners. Unlike intra-family trust, which is primarily rooted in emotional attachment, inter-firm trust is built on mutual interests, shared values, and long-term business objectives.

Family firms operate within highly interconnected networks, where trust plays a pivotal role in facilitating collaboration, reducing transaction costs, and supporting strategic decision-making. Due to their long-term orientation and the perception of the business as an extension of the family legacy, family firms often prioritize trust-based relationships over purely financial goals. This tendency is particularly evident in internationalization processes, where family firms differ from non-family firms. While the latter may follow economic models like the Global Factory (Buckley & Ghauri, 2004)[69], family firms are inclined to favor long-term, trust-oriented partnerships—even at the expense of immediate financial returns (Debellis et al., 2024)[70].

Inter-firm trust is particularly crucial in joint ventures, alliances, and supply chain collaborations, where relational governance helps mitigate the risk of **bounded reliability**—the tendency for partners to fail to deliver on commitments due to opportunism or shifting priorities (Williamson, 1981)[71]. Unlike firms that depend heavily on formal contracts, family businesses often rely on informal agreements and personal relationships to secure cooperation, in line with the socioemotional wealth (SEW) perspective, which emphasizes reputation, values, and legacy preservation.

A notable feature of family firm networks is the preference to engage with other family-controlled businesses, based on the expectation of shared values and ethical conduct. When both partners share idiosyncratic family features, **heuristic relational trust** can emerge, enabling effective strategic alliances with reduced governance costs and increased resilience (Debellis et al., 2024).

Despite these strengths, inter-firm trust also poses challenges. Over-reliance on personal networks may hinder diversification and innovation, while excessive trust may lead to complacency or misaligned expectations. Thus, while trust is a critical resource for sustaining external relationships, it must be balanced with structured governance and strategic flexibility.

[69] Buckley, P. J., & Ghauri, P. N. (2004). Globalisation, economic geography and the strategy of multinational enterprises. *Journal of International Business Studies, 35*(2), 81–98.

[70] Debellis, F., Rondi, E., Buckley, P. J., De Massis, A., & Frattini, F. (2024). Family firms and the governance of global value chains. *Journal of International Business Studies, 55*(5), 962–975.

[71] Williamson, O. E. (1981). The Economics of Organization: The Transaction Cost Approach. *American Journal of Sociology, 87*(3), 548–577.

Inter-firm trust in family businesses plays a dual role in shaping their strategic decision-making and international expansion. On the one hand, it facilitates cross-border partnerships and market entry strategies, allowing firms to leverage their trusted networksto establish a presence in international markets. On the other hand, the need to safeguard socioemotional wealth (SEW) may lead to risk-averse behavior, discouraging engagement with new and unfamiliar partners (Cesinger et al., 2016)[72].

Each of these forms of trust plays a distinct yet complementary role in enabling collaborative ventures, alliances, and supply chain partnerships among family businesses.

2.4.1 Antecedents: How Inter-Family Trust Develops.

The development of trust between family businesses is shaped by a combination of historical relationships, governance structures, and shared strategic priorities. These antecedents can be classified into three major categories:

- *Business-Based Antecedents.*

Family firms often prioritize socioemotional wealth (SEW), meaning they are more inclined to form partnerships with businesses that share their values, ethical business conduct, and commitment to long-term success [73]. Research indicates that family businesses prefer engaging with other family firms, as shared cultural norms and trust mechanisms facilitate long-term cooperation. Family firms exhibit distinct characteristics that foster collaboration, particularly in the selection of business partners. Four key factors contribute to their inclination to work together: leadership unity,

[72] Cesinger, B., Hughes, M., Mensching, H., Bouncken, R. B., Fredrich, V., & Kraus, S. (2016). A socioemotional wealth perspective on how collaboration intensity, trust, and international market knowledge affect family firms' multinationality. *Journal of World Business, 51*(4), 586–599.

resource fluidity, socio-emotional wealth (SEW) goals, and commitment to roots and traditions:

1) Leadership Unity

Leadership unity reflects the collective commitment of organizational members to the business. Firms with strong leadership unity prioritize long-term business success over personal gain, reducing the likelihood of self-serving behaviors. Research indicates that family firms, due to their deeply ingrained values and shared vision, tend to exhibit greater leadership unity compared to non-family firms.

2) Resource Fluidity

Resource fluidity refers to an organization's ability to adapt swiftly and efficiently to strategic changes and dynamic environments. Family firms benefit from higher resource fluidity due to their long-term orientation- which fosters trust and discourages opportunistic behaviors that could jeopardize joint ventures or collaborations. And their strong reputation, which enhances credibility and mitigates concerns about reliability in partnerships.

3) SEW Goals and Commitment to Roots and Traditions

Family firms place significant value on maintaining their socio-emotional wealth, including the preservation of family heritage and business legacy. This shared cultural and emotional investment makes them more likely to seek partnerships with other family firms that align with their values, traditions, and long-term vision. Given these characteristics, research suggests that family firms are more inclined to collaborate with other family-owned businesses.

4) Network-Based Antecedents.

Inter-firm trust among family businesses is significantly influenced by network-based antecedents and governance structures, which shape how trust is built, maintained, and leveraged for strategic collaborations. Family firms often operate within close-knit networks where trust is reinforced through repeated interactions and shared affiliations. These networks foster knowledge exchange, reduce uncertainty, and facilitate stable partnerships. The local embeddedness that characterizes many family firms underscores their commitment to cultivating ecosystems of trusted agents within their communities, where the benefits of social capital and reputation are more transferable and impactful. Trust acts as a foundation for collaboration, enabling long-term relationships, strategic alliances, and knowledge-sharing that enhances competitiveness and reduces transaction costs (Miller & Le Breton-Miller, 2005; De Massis et al., 2018).

5) Governance and Structural Antecedents.

Trust in inter-firm relationships is also influenced by governance structures that ensure fairness, predictability, and accountability (Zaheer & Harris, 2006)[74]. Well-designed governance frameworks allow family firms to formalize trust mechanisms, balancing relational trust with structured safeguards (Steier, 2001)[75]. There are many factors that can positively impact on the governance and structural antecedents of trust:

[74] Zaheer, A., & Harris, J. (2006). Interorganizational trust. In Shenkar, O., & Reuer, J. J. (Eds.), Handbook of Strategic Alliances (pp. 169-197). Sage Publications.

[75] Steier, L. (2001). Next-generation entrepreneurs and succession: Trust and entrepreneurial challenges in the family firm. Family Business Review, 14(3), 259-276.

- Formal governance mechanism: The presence of boards of directors, family councils, and advisory panels provides oversight and accountability, reinforcing trust by ensuring transparent decision-making (Chrisman et al., 2007)[76].
- Alliance governance and contract: While family firms prioritize relational trust, they often supplement informal agreements with structured contracts, ensuring clarity in roles, obligations, and dispute resolution (Dyer & Singh, 1998).[77]
- Institutional legitimacy: Family firms align their governance practices with industry standards to enhance credibility, reputation, and stakeholder confidence (Berrone et al., 2012)[78]

2.4.2 Constructive Outcomes: How Trust Enhances the Family Business.

Inter-firm trust among family businesses has a profound impact on their strategic collaborations, governance efficiency, and overall performance. However, while trust fosters cooperation and stability, it also presents risks related to complacency, opportunism, and resistance to change. The outcomes of inter-firm trust can be categorized into positive effects, which enhance business performance, and negative effects, which introduce vulnerabilities.

- *Enhanced Strategic Collaboration and Business Expansion*

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[76] Chrisman, J. J., Kellermanns, F. W., Chan, K. C., & Liano, K. (2007). Intellectual foundations of current research in family business: An identification and review of 25 influential articles. Family Business Review, 20(4), 317-332.

[77] Dyer, J. H., & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. Academy of Management Review, 23(4), 660-679.

[78] Berrone, P., Cruz, C., Gomez-Mejia, L. R., & Larraza-Kintana, M. (2012). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less? *Administrative Science Quarterly, 57(2), 82-113.

When trust is high, family businesses engage in joint ventures, co-investments, and supply chain partnerships more easily, reducing uncertainty and strengthening their competitive position (Ibáñez, 2021). Research suggests that trust-based alliances enable family firms to expand internationally, as they prioritize partnerships with reliable firms over riskier market entry strategies (Minichilli et al., 2023).

- *Lower Transaction Costs and Improved Efficiency*

Family businesses with strong inter-firm trust rely less on formal contracts and bureaucratic oversight, leading to lower transaction costs (Sjøtun & Kolvereid, 2021). The ability to coordinate business operations based on mutual trust rather than strict legal agreements results in faster decision-making and increased operational agility (PwC, 2023)[79].

- *Facilitates Knowledge Sharing and Innovation*

Trust fosters the exchange of business knowledge, industry insights, and best practices, contributing to higher innovation rates. Research indicates that family firms involved in trust-based networks are more likely to engage in co-development projects, joint R&D initiatives, and shared market intelligence (Azizi et al., 2017)[80].

- *Improved Firm Performance and Long-Term Sustainability*

Strong trust relationships help reduce opportunistic behavior and enhance collaboration, ultimately strengthening the competitive positioning and longevity of family firms (Sjøtun & Kolvereid, 2021)[81]. When trust levels are high, employees—both family and

[79] PwC. (2023). Family Business Survey 2023: Transform to build trust. PricewaterhouseCoopers.

[80] Azizi, M., Salmani Bidgoli, M., & Seddighian Bidgoli, A. (2017). Trust in family businesses: A more comprehensive empirical review. Cogent Business & Management, 4(1), 1359445.

[81] Chaudhary, S., Dhir, A., Ferraris, A., & Bertoldi, B. (2021). *Trust and reputation in family businesses: A systematic literature review of past achievements and future promises.* Journal of Business Research, 137**, 143–161.**

non-family—feel a stronger sense of loyalty and engagement, leading to better overall productivity and innovation (PwC, 2023).

2.4.3 Destructive Outcomes: Risks of Excessive Intra-Family Trust.

- *Over-Reliance on Trusted Partners and Limited Market Adaptability*

Family firms may become too dependent on a small network of trusted partners, limiting their ability to explore new business opportunities and adapt to market changes. Over time, this over-reliance on known partners may reduce the firm's ability to diversify suppliers, expand into new markets, or embrace innovative business models.

- *Risk of Opportunism and Commitment Failures*

While trust reduces monitoring costs, it does not eliminate the risk of opportunistic behavior (Sanni & Ng, 2023). Without clear governance mechanisms, business partners may fail to fulfill commitments, leading to disputes, underperformance, and financial losses.

- *Resistance to External Expertise and Innovation*

Strong trust among family business networks can lead to resistance to external expertise, new technologies, or alternative governance models. Some firms may become reluctant to engage with outside professionals, fearing that external influences could disrupt the trust-based culture of their partnerships.

- *Groupthink and Lack of Accountability*

Excessive trust within inter-firm relationships may discourage critical thinking, leading to groupthink. Additionally, this unique, indivisible mass of people reduce the individuality and individual space for expressing talents, skills and knowledge.

2.5 Institutional Trust: Building Confidence with External Clients and Partners

Institutional trust in the context of this research refers to the trust that family firms place in external commercial stakeholders**,** such as national and international clients, importers, distributors, and commercial partners. This form of trust extends beyond interpersonal or internal dynamics and focuses on the belief that these external actors will behave reliably, ethically, and in alignment with agreed-upon business standards and expectations (Zaheer et al., 1998; Rousseau et al., 1998).

In internationalized family firms, institutional trust becomes a strategic asset that facilitates smoother market entry, enhances collaboration, and reinforces the firm's reputation and legitimacy in competitive global environments. It plays a central role in:

1. **Cross-Border Transactions**: Trust reduces perceived risks in dealings with foreign clients and importers, enabling more flexible contracts and long-term partnerships (Casillas et al., 2023).
2. **Brand Legitimacy and Reputation**: Reliable, trust-based relationships with external actors enhance the firm's legitimacy, especially in unfamiliar or culturally distant markets (De Massis et al., 2018).
3. **Conflict Resolution and Loyalty**: When trust exists, partners are more likely to resolve disputes cooperatively and continue the relationship despite challenges (Sundaramurthy, 2008).

Trust between family firms and external clients often evolves over time through repeated interactions, transparency, and consistency. It allows family businesses to overcome the **liability of foreignness** (Casillas et al., 2023) and to demonstrate that their values, although rooted in family tradition, are compatible with international standards of professionalism and reliability.

2.5.1 Antecedents: How Institutional Trust with Clients Develops

The development of institutional trust between family firms and their clients, especially in international contexts, depends on a set of cognitive, affective, and experiential factors:

1. **Reliability and Performance History**: Family firms earn trust from clients through punctual delivery, product quality, and responsiveness to needs. Positive performance history fosters long-term collaboration (Zaheer et al., 1998).
2. **Transparency and Communication**: Open and proactive communication, particularly in cross-border relationships, enhances the credibility of the firm and reduces uncertainty.
3. **Cultural Sensitivity and Adaptability**: In international relationships, family firms build trust by showing cultural awareness and adapting business practices to local norms without compromising core values.
4. **Alignment of Business Values**: External partners are more likely to trust family firms when they perceive shared values—such as long-term orientation, integrity, and commitment (Berrone et al., 2012).
5. **Track Record of Relationship Continuity**: Trust strengthens when family firms demonstrate a willingness to invest in relationships over time, rather than treating clients as transactional counterparts.

In sum, institutional trust in this thesis reflects how family firms interact, build, and maintain credibility with external stakeholders. While deeply rooted in performance and communication, it also draws on the unique values and legacy of the family firm, offering a hybrid foundation that blends emotional resonance with professional consistency.

2.5.2 Constructive Outcomes: How Trust Enhances the Family Business

Institutional trust between family firms and their external partners, especially clients, importers, and distributors, generates several constructive outcomes. It improves relationship quality, strategic collaboration, and international performance.

1. *Enhanced Stability and Long-Term Business Relationships*

   High levels of trust foster loyal, enduring ties with both domestic and international partners. These relationships reduce the need for constant renegotiation and lower transactional costs, creating space for relational continuity, which is particularly valuable for family firms operating in foreign markets (Zaheer et al., 1998)[82].

2. *Improved Information Flow and Strategic Decision-Making*

   Trust with external partners facilitates open communication and knowledge sharing. This minimizes uncertainty and enables more confident strategic decisions, especially in export or innovation strategies where reliable feedback loops are essential (Casillas & Moreno-Menéndez, 2014)[83].

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[82] Zaheer, A., McEvily, B., & Perrone, V. (1998). Does trust matter? Exploring the effects of interorganizational and interpersonal trust on performance. *Organization Science*, 9(2), 141–159.

[83] Casillas, J. C., & Moreno-Menéndez, A. M. (2014). *Speed of the internationalization process: The role of diversity and depth in experiential learning.* Journal of International Business Studies, 45(1), 85–101.

3. *Strengthened Reputation and Market Legitimacy*

   Trusted relationships with foreign clients improve a firm's perceived credibility and reputation abroad. In culturally distant or regulation-heavy markets, being seen as a reliable partner enhances legitimacy and creates a competitive advantage (De Massis et al., 2018)[84].

4. *Support During Transitional Phases such as Succession*

   During leadership transitions, trusted external partners—particularly long-term clients and collaborators—offer emotional and reputational continuity. Their loyalty can stabilize commercial performance while the firm adapts internally. External support may also validate the next generation's leadership, reinforcing their legitimacy (Michel & Kammerlander, 2015)[85]

2.5.3 Destructive Outcomes: Risks of Excessive Institutional Trust

While institutional trust yields many benefits, excessive reliance on a small circle of external partners or repeat clients can create vulnerabilities for family firms.

1. *Overdependence and Confirmation Bias*

   Repeated reliance on the same clients or intermediaries may lead to rigidity and reduced openness to new opportunities or perspectives. Firms may unconsciously prioritize familiar expectations over emerging trends or innovative strategies (De Groote & Bertschi-Michel, 2020).

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[85] Michel, A., & Kammerlander, N. (2015). Trusted advisors in a family business's succession-planning process: An agency perspective. *Journal of Family Business Strategy, 6*(1), 45–57.

2. *Limited Strategic Flexibility*

   Overembedded relationships can lock firms into specific markets, distribution channels, or expectations. This can inhibit adaptation to new technologies, entry into alternative markets, or renegotiation of outdated commercial models (Berrone et al., 2012).

3. *Inertia and Resistance to Change*

   In some cases, institutional trust can unintentionally reinforce the status quo. Longstanding relationships might create pressure to preserve "how things have always been done," making it harder to pivot in response to environmental shocks or global competition (De Groote & Bertschi-Michel, 2020)[86].

Trust operates as a dynamic force in family firms, essential but not risk-free. While trust can promote continuity, strategic clarity, and collaboration, it must be critically managed to avoid overreliance, rigidity, or blind spots. Recognizing the dual nature of trust enables family firms to harness its benefits while remaining agile in a rapidly evolving business landscape.

2.6 The Nature of Innovation: A General Overview.

Innovation is widely recognized as a key driver of economic growth, competitiveness, and organizational success. It refers to the process of translating ideas into goods, services, or processes that create value for customers and stakeholders (Schumpeter,

[86] De Groote, J. K., & Bertschi-Michel, A. (2020). From intention to trust to behavioral trust: Trust-building in family business advising. *Family Business Review, 34*(2), 132–153.

1934)[87]. Innovation encompasses both radical breakthroughs that redefine industries and incremental improvements that enhance efficiency or user experience (OECD, 2005).[88]

At its core, innovation involves the ability to combine creativity, knowledge, and execution in a dynamic and often uncertain environment. According to Tidd and Bessant (2018)[89], innovation requires not only technological capabilities but also an organizational culture that supports experimentation, tolerates failure, and promotes continuous learning. Successful innovation processes typically involve multiple actors and levels of interaction—from individual inventors to teams, departments, and networks of external collaborators.

Innovation can also be costly, given the required investments in critical resources and capabilities, and as a result, the process of innovation is filled with risk (Kirzner, 1978)[90]. These risks stem from the possibility of investment failure, uncertainty of customer acceptance, and potential imitation by competitors (Helpman, 1993)[91]. However, when firms successfully navigate these challenges, innovation significantly enhances their survival, profitability, and long-term growth (Classen et al., 2012)[92].

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87 Schumpeter, J. A. (1934). *The Theory of Economic Development*. Harvard University Press.

88 OECD (2005). *Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data*. 3rd Edition, Organization for Economic Co-operation and Development.

89 Tidd, J., & Bessant, J. (2018). *Managing Innovation: Integrating Technological, Market and Organizational Change* (6th ed.). Wiley.

90 Kirzner, I. M. (1978). *Competition and Entrepreneurship*. University of Chicago Press.

91 Helpman, E. (1993). *Innovation, Imitation, and Intellectual Property Rights*. Econometrica, 61(6), 1247–1280.

92 Classen, N., Van Gils, A., Bammens, Y. and Carree, M. (2012),"Accessing resources from innovation partners: the search breadth of family SMEs", Journal of Small Business Management, Vol. 50 No. 2, pp. 191-215.

Moreover, innovation is not confined to products and technologies. It includes process innovation (changes in production methods), organizational innovation (new management practices), and business model innovation (redefining value creation and delivery). The ability to innovate depends on internal factors such as leadership, resources, and structure, as well as external factors like market demand, institutional frameworks, and cultural context (OECD, 2005).

In this broader context, trust has emerged as a foundational element that influences whether and how innovation can flourish, particularly in environments characterized by high uncertainty, like family businesses.

2.6.1 Innovation and Trust in Family Firms.

Innovation is widely recognized as a key driver of economic growth, competitiveness, and organizational success. It refers to the process of translating ideas into goods, services, or processes that create value for customers and stakeholders (Schumpeter, 1934). Innovation encompasses both radical breakthroughs that redefine industries and incremental improvements that enhance efficiency or user experience (OECD, 2005).

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In this broader context, trust has emerged as a foundational element that influences whether and how innovation can flourish, particularly in environments characterized by high uncertainty, like family businesses.

2.6.2 Innovation in Family Businesses.

Innovation represents a fundamental pillar for the long-term survival and competitiveness of all enterprises, including family firms. However, the innovation process in family firms is shaped by their unique characteristics, including their long-term orientation, governance structure, and socioemotional wealth (SEW) priorities (De Massis et al., 2015)[93]. Family firms often approach innovation more cautiously than non-family firms, preferring incremental improvements over disruptive innovations due to their risk-averse culture and desire to preserve family legacy (Zellweger, 2007)[94].

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[93] De Massis, A., Frattini, F., Kotlar, J., Petruzzelli, A. M., & Wright, M. (2015). *Innovation through tradition: Lessons from innovative family businesses and directions for future research*. Academy of Management Perspectives, 29(1), 93–116.

[94] Zellweger, T. (2007). *Time horizon, costs of equity capital, and generic investment strategies of firms*. Family Business Review, 20(1), 1–15.

Research in the U.S. illustrates that most family businesses are characterized by lower innovation dynamism compared to their non-family counterparts. Family firms tend to give greater attention to risk and return on invested capital. Despite this, literature also shows that family firms often have a better understanding of how to leverage the natural environment for innovation (Craig & Dibrell, 2006)[95], and their long-term orientation ensures strategies are designed to secure the welfare of future generations. While family firms are typically less focused on market leadership, they demonstrate greater long-term vision. Some studies even suggest that family businesses with high family involvement can be highly innovative in their markets.

2.6.3 Trust and innovation in family business.

The innovation behavior of family firms is shaped by a complex interplay of enabling and constraining factors. Some scholars argue that family involvement fosters environments conducive to entrepreneurship and innovation, thanks to greater internal cohesion, long-term vision, and faster decision-making (Sirmon & Hitt, 2003)[96]. Others, however, highlight the risk-averse nature of many family businesses and their reluctance to embrace change, especially when preserving socioemotional wealth (SEW) becomes a dominant priority (Gomez-Mejia et al., 2007). These opposing dynamics can coexist within the same organization, with innovation supported by informal trust-based coordination, yet

[95] Craig, J. B., & Dibrell, C. (2006). *The natural environment, innovation, and firm performance: A comparative study. Family Business Review, 19*(4), 275–288.

[96] Sirmon, D. G., & Hitt, M. A. (2003). *Managing resources: Linking unique resources, management, and wealth creation in family firms*. *Entrepreneurship Theory and Practice*, 27(4), 339–358.

simultaneously hindered by fears of losing control or disrupting legacy structures (De Massis et al., 2013).

Navigating these tensions requires more than strategic alignment, it requires trust. Trust acts as a critical mechanism through which family firms manage the balance between continuity and renewal, allowing them to engage with risk and change without undermining internal cohesion. As Li and Daspit (2016) emphasize, the family's SEW intentions and governance configuration shape how trust functions in this context. In firms with short-term SEW orientations, innovation may be constrained by protectionist tendencies, while in those with long-term transgenerational goals, trust becomes a strategic enabler of delegation, experimentation, and adaptation.

Resistance to change, a common and deeply embedded human reaction, becomes particularly entrenched in family firms due to overlapping personal and professional identities, the fear of jeopardizing family reputation, and the desire to maintain harmony. Employees' resistance has long been identified as a major barrier to successful organizational change—they often see change as threatening or unclear, whereas proactive change readiness facilitates smoother transitions (Armenakis & Harris, 2009; Kotter, 1995)[97].revealed that resistance was the most frequently cited reason for unsuccessful organizational change, while Aguirre, von Post, and Alpern (2013) confirmed that transformation efforts often falter due to change fatigue, lack of skills to sustain change, and persistent resistance. These findings underscore the imperative of managing resistance, and in family firms, trust is one of the most powerful levers available to do so.

[97] Armenakis, A. A., & Harris, S. G. (2009). *Reflections: Our Journey in Organizational Change Research and Practice.Journal of Change Management, 9*(2), 127–142.

When family members trust one another's intentions and competencies, they are more willing to challenge the status quo, support risky ventures, and accept experimentation, even when failure is possible. Trust also reduces defensive behavior and political friction, especially between generations with different visions of the future (Casado-Belmonte et al., 2021).[98] The trust between senior and junior generations is essential in succession-driven innovation processes, where innovation is not only a strategic choice but also a generational negotiation. Younger family members often bring fresh ideas and technological skills, but their proposals can be met with skepticism unless trust has been established through transparent communication and shared commitment to the firm's goals (Duran et al., 2016)[99].

Beyond intra-family relationships, trust must also extend to non-family members, who often hold crucial knowledge and innovation-driving roles. Yet in many family firms, these actors remain underutilized due to a lack of inclusion or skepticism about their loyalty. Studies show that when family leaders foster trust toward non-family managers, granting them autonomy and voice, it significantly enhances the firm's innovation capability (Li & Daspit, 2016)[100]. In such cases, trust becomes an enabler of knowledge diversity and absorptive capacity, two central components of innovation. Moreover, the relational capital built through trust-based relationships, both internal and external, enables smoother coordination, better feedback mechanisms, and access to collaborative

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[98] Casado-Belmonte, M. del P., Capobianco-Uriarte, M. de las M., Martínez-Alonso, R., & Martínez-Romero, M. J. (2021). *Delineating the path of family firm innovation: Mapping the scientific structure. Review of Managerial Science, 15*(8), 2455–2499.

[99] Duran, P., Kammerlander, N., van Essen, M., & Zellweger, T. (2016). Doing more with less: Innovation input and output in family firms. *Academy of Management Journal*, 59(4), 1224–1264.

[100] Li, Z., & Daspit, J. J. (2016). Understanding family firm innovation heterogeneity: A typology of family governance and socioemotional wealth intentions. *Journal of Family Business Management*, 6(2), 103–121.

networks. These ties are particularly valuable in the uncertain, iterative processes typical of innovation.

Trust also fosters resilience and collective commitment, both essential for navigating the failures and setbacks that are inevitable in any innovation journey. It enhances the firm's ability to mobilize around shared objectives, support each other in difficult periods, and maintain cohesion during crises. This resilience is underpinned by strong emotional attachment to the firm, a shared sense of purpose, and the belief that others will act in good faith—qualities that mitigate fear of failure and encourage persistence. The presence of a trusted leader is particularly important in this context. In family firms, leadership legitimacy is often derived not only from formal authority but also from moral credibility and perceived alignment with collective interests. When leaders are transparent, inclusive, and perceived as acting for the benefit of the firm rather than personal gain, they become powerful anchors for mobilizing support for innovation and change (Duran et al., 2016). Their example reinforces a culture where trust is reciprocated, and innovation is pursued with a shared sense of responsibility. In an environment marked by rapid technological advancement and the doubling of knowledge every five years, such leadership is indispensable. As Aguirre et al. (2013) [101]suggest, managing change at this speed requires more than rational planning—it demands trust-driven alignment to overcome fatigue, build adaptability, and ensure lasting transformation.

In conclusion, trust serves as both a psychological and strategic resource that enables family firms to reconcile their dual identity, balancing the preservation of tradition with

[101] Aguirre, D., von Post, R., & Alpern, M. (2013). *Culture's role in enabling organizational change*. Booz & Company.

the pursuit of renewal. It reduces the cost of uncertainty, increase speed to market, facilitate the decision-making process, lowers internal resistance, and unlocks the potential of both family and non-family contributors. Rather than being a constraint, when trust is cultivated at intra-family, interpersonal, and institutional levels, it becomes a catalyst for innovation and an anchor for successful transformation.

The next chapter turns from theory to practice by examining a real-world case study of a family firm that has leveraged trust as a catalyst for innovation and transformation. By adopting an organic organizational structure and promoting transparency through open workspaces, the company cultivated a high-trust environment that enabled it to scale from a small local business to a global medium-sized enterprise. This analysis will explore how trust among members fostered innovation, supported the firm through early failures, and reinforced cohesion during critical growth phases, ultimately driving sustained success in a competitive international market.

Chapter 3

<u>Methodology</u>

3 Exploring Trust in Family Firms through Qualitative Interviews and Etnography.

The analysis focuses on three distinct but interconnected levels of trust: intrafamilial (within the family), interfamilial or interpersonal (between family and non-family members inside the firm), and institutional (between the firm and external stakeholders). These dimensions are investigated through a series of semi-structured interviews conducted with eight employees from various organizational roles, including both family and non-family members. This qualitative research approach allowed for the collection of rich, in-depth insights that link theoretical constructs to lived managerial practices.

The empirical investigation aims to uncover how trust influences key organizational processes such as leadership, innovation, internationalization, and strategic change. The analysis follows a thematic structure aligned with the theoretical categories developed in Chapter 2, highlighting both converging and contrasting perspectives among interviewees. Before examining the methodological details, the following section introduces the company under investigation, providing an overview of its historical background, sector of operation, organizational structure, and strategic context.

3.1 Sample strategy

The company chosen for the case study is “Fratelli Mantova”, an Italian family firm born in 1905. Fratelli Mantova operates within the food industry, with a specific focus on the oil production sector, combining over a century of artisanal expertise with modern innovation. The origins of the company trace back to the late 19th and early 20th centuries, when the ancestors of the current CEO, Adriano Mantova, were deeply rooted in agriculture and trade. In a time when rural families primarily produced for self-sustenance, his predecessors began aggregating surplus goods—such as olive oil, wine, pork products, and eggs—from small local producers and transporting them by cart to larger markets in cities like Rome and Naples. This practice of combining production, logistics, and commerce laid the foundation for what would later become the family enterprise. According to Adriano, the company was formally established around 1905, in the very location where its headquarters remain today. Initially engaged in both wine and oil production, the business gradually shifted its focus under Adriano’s leadership. After joining full-time in 1984 and completing his studies in enology, Adriano steered the firm toward specialization in olive oil, transforming it from a local artisanal operation into a structured and globally competitive business. As a manufacturer of high-quality edible oils—including extra virgin olive oil, flavored oils, and organic products—the company has carved out a distinctive space in both domestic and international markets. Its products reflect a blend of traditional Italian craftsmanship and forward-thinking technology, contributing to a brand identity that emphasizes authenticity, health consciousness, and product excellence. The company is headquartered in Broccostella, a small town located in the province of Frosinone, central Italy. Its official address is Via Ponte Tapino 35. The current owner and leader of the company is Adriano Mantova, the son of the founder, who continues to uphold the family legacy while steering the business through a period of strong international expansion. From its inception, the company adopted an organic organizational structure, characterized by informal coordination, horizontal communication, and a non-hierarchical management style. In contrast to rigid bureaucratic models, Fratelli Mantova’s internal operations prioritized close-knit interpersonal relationships and collaborative dynamics over formal reporting lines. This people-centered approach created a unified and motivated work environment where family values—such as loyalty, mutual trust, and shared purpose—were naturally transferred to non-family employees. The physical layout of the firm further reinforced its structural culture. Open and collaborative workspaces facilitated transparency and inclusion, supporting the diffusion of ideas and reducing psychological barriers between different levels of staff. Over time, this culture of openness and cohesion proved to be instrumental not only in strengthening employee commitment but also in sustaining the company’s innovative spirit. Founded on a strong set of core values, the company embraces four guiding principles that permeate all aspects of its strategy and operations: innovation, waste reduction, a family-like work environment, trust, and resilience. These pillars are not only embedded in the company's identity but also actively shape how it develops products, interacts with employees and partners, and navigates growth.

A key milestone in the company’s innovation journey occurred in 2012, when Fratelli Mantova introduced a groundbreaking product: the Sprayleggero system. This innovation was made possible through the integration of Bag-on-Valve technology, a revolutionary packaging system that allows 100% natural oil—free from chemical propellants—to be dispensed in fine sprays. By preserving the oil inside an air- and light-tight bag, the system ensures that the product’s nutritional properties and sensory qualities remain intact even after opening. Furthermore, it significantly reduces oil consumption—by up to 90% compared to traditional oil bottles—promoting healthier eating habits without compromising flavor. However, despite the product’s ingenuity, the early years following the launch were marked by unexpected challenges and economic hardship. Market reception was initially underwhelming, and the company faced periods of uncertainty. Nevertheless, the intra-organizational trust, resilience, and positive mindset cultivated through years of shared experience enabled the team to withstand external pressures. Trust in leadership and among colleagues encouraged persistence, collective learning from failure, and a continuous drive to improve. Today, Fratelli Mantova stands as a remarkable example of sustainable innovation in a family business context. Its products are distributed in over 77 countries, and its brand continues to gain global recognition. Remarkably, this rapid growth has not led to a loss of identity. The firm has retained its organic structure, reinforced its performance-based culture, and continued to celebrate success as a shared, intergenerational family achievement.

3.2 Methodology

To investigate how trust is built, maintained, and transmitted within a family business—and how it has supported the firm's innovative capacity and organizational resilience—this research adopts a qualitative case study approach. The case study method is widely recognized in family business research as a powerful tool for capturing the complexity of socio-emotional dynamics, informal processes, and context-dependent behaviors that cannot be easily reduced to quantitative measures (De Massis & Kotlar, 2014)[102]. The selected methodology is particularly suited to exploring complex, context-dependent phenomena, such as interpersonal dynamics, cultural values, and strategic decisions, which are difficult to quantify but essential to understanding family firm behavior.

[102] Alfredo De Massis, Josip Kotlar, The case study method in family business research: Guidelines for qualitative scholarship, Journal of Family Business Strategy, Volume 5, Issue 1, 2014, Pages 15-29, ISSN 1877-8585, https://doi.org/10.1016/j.jfbs.2014.01.007.

The case study of Fratelli Mantova was chosen not only for its remarkable innovation trajectory but also for its distinctive organizational culture centered on trust and cohesion. Founded on a strong set of core values, the company embraces four guiding principles that permeate all aspects of its strategy and operations: innovation, waste-reduction, a family-like work environment, and trust. These pillars are not only embedded in the company's identity but also actively shape how it develops products, interacts with employees and partners, and navigates growth.

The richness and depth of the data collected stem from a unique and immersive research experience: I personally conducted a six-month internship within the company, working on-site every day for an extended period. This prolonged immersion made it possible to observe the firm's daily operations, internal dynamics, and informal interactions in a way that goes beyond conventional data collection techniques. In line with process research approaches, this method allowed me to trace how trust evolves over time, not as a static condition but as a dynamic outcome of ongoing interactions and adaptations (Langley, 1999)[103]. Through this experience, I was able to witness firsthand how trust is expressed in various forms—through collaborative behaviors, spontaneous acts of support, and informal moments of conviviality, but also through conflict resolution and stress management during high-pressure situations.This field immersion allowed me to examine how roles are assigned and performed, how leadership is enacted, and how members at different organizational levels interact both inside and outside the formal work setting. For instance, participation in external events such as the TuttoFood trade fair in Milan offered valuable insights into how the firm is perceived by international and domestic clients, and how employees present and embody the values of the company in

[103] Langley, Ann. "Strategies for Theorizing from Process Data." The Academy of Management Review 24, no. 4 (1999): 691–710. https://doi.org/10.2307/259349.

professional contexts beyond the workplace. Notably, I had the opportunity to witness the launch of the company's first television commercial, a milestone in its marketing strategy, as well as the development of a new product innovation: saffron spray. This innovation, developed with great discretion and collaboration, encountered several technical and organizational challenges but ultimately earned the company the prestigious recognition of "Best Innovation 2025" at the TuttoFood event. Being present during this critical phase allowed me to directly observe how trust, mutual support, and resilience functioned as key enablers of innovation within the firm.

Crucially, having worked alongside employees, I became an active participant in the organizational context. This facilitated the development of mutual trust with key members of the firm, enabling access to unfiltered observations and authentic interpersonal exchanges. The trust the company placed in me, entrusting me with responsibilities and integrating me into the team, served as an empirical demonstration of how trust is extended, negotiated, and reciprocated within the firm.

3.3 Interview Design and Execution

A central component of the qualitative investigation consisted of semi-structured interviews, which offered both structure and flexibility, allowing the interviewees to explore questions at their own pace while still ensuring consistency and thematic coherence across participants. This format was particularly appropriate given the abstract and multifaceted nature of trust, as it allowed for follow-up questions and open-ended discussion, thereby revealing underlying perspectives that would have otherwise remained implicit.

Semi-structured interviews were chosen specifically because they strike a balance between methodological rigor and conversational openness. They are especially valuable when probing open-ended questions that require elaboration. They allow participants to express independent, personal views, often uncovering rich, nuanced, and emotionally charged reflections that cannot be captured through standardized instruments.

The presence of a question guide ensured that all relevant themes, such as the formation and evolution of trust, its role in innovation, and how it is transmitted between family and non-family members, were consistently addressed. At the same time, the flexible format allowed interviewees to shape the trajectory of the conversation, enabling richer, more nuanced reflections and spontaneous storytelling. This proved essential for a topic as subjective and context dependent as trust.

Unlike focus groups, one-on-one semi structured interviews provide a private space that makes it more likely for participants to be candid, particularly when discussing sensitive or potentially controversial topics like interpersonal dynamics, power relations, or organizational culture as outlined by Adams (2015) in the Handbook of Practical Program Evaluation. [104]

The interviews were conducted in person and individually, in a quiet and familiar setting within the company, each interviewee was interviewed in his or her own office, there every-day comfortable environment, helped to engaged in a deeper conversation thanks to the familiar atmosphere avoiding making interviewees feel under-examination. Before each session, the interviewee was presented with a printed list of questions and encouraged to take time to read and reflect. Participants were free to choose the question from which to begin the interview, while I ensured that all core areas were eventually

[104] Adams, W.C. (2015). Conducting Semi-Structured Interviews. In Handbook of Practical Program Evaluation (eds K.E. Newcomer, H.P. Hatry and J.S. Wholey).

addressed. This strategy facilitated a natural flow of conversation, making the participants more comfortable and open.

Each interview was composed of eleven main questions, carefully designed to investigate the building, maintenance, and transmission of trust, and to explore how trust influences innovation, cohesion, and resilience within the organization. To enrich the depth and relevance of responses, I also developed a specific question tailored to each interviewee, based on their role and level within the company. At the end of each interview, I posed the initial question— "What is trust for you?"—once again. This technique allowed the participants to elaborate on their understanding of trust with the benefit of having reflected throughout the entire conversation.

Each session lasted between 30 minutes and one hour, depending on the interviewee's willingness to elaborate. This in-depth and interactive format allowed me to grasp not only the participants' viewpoints, but also their emotions, hesitations, and the contextual nuances of their responses. Many interviewees found themselves reflecting out loud, sometimes even surprising themselves with the clarity or emotional weight of their answers. These moments proved especially valuable for understanding the more tacit and affective dimensions of trust within the organizational setting.

Ultimately, the decision to triangulate these interviews with ethnographic observation and informal data collection allowed me to capture a deeper, more layered understanding of trust in action, particularly how it manifests in moments of collaboration, crisis, celebration, or informal exchange within the organization. This blended approach significantly enriched the quality and reliability of the insights obtained from the fieldwork. Moreover, by combining direct experience, participant narratives, and contextual interpretation, the methodology created a dynamic and grounded portrayal of how trust functions not merely as a value, but as an embedded practice that sustains innovation and cohesion in everyday work life.

3.3.1 Interview Questions

To support the investigation into how trust is built, maintained, and transmitted within the family firm, and how it enables innovation, resilience, and cohesion, each participant was asked a set of eleven core questions. These were designed to be open-ended and reflective, inviting personal experiences and interpretations while aligning with the theoretical categories of intra-family trust, inter-family trust, and institutional trust. Here is the list of questions that guided the semi-structured interview:

1. What does trust mean to you?
2. How is trust built and maintained within this family business?
3. What challenges arise in maintaining trust between family members and non-family employees?
4. How does trust influence decision-making and collaboration in your department?
5. What are the key elements for building and maintaining trust both inside the company and with external partners?
6. Have you ever experienced a situation where trust was broken? How was it restored?
7. What are the main actions the company takes to sustain trust over time?
8. During times of crisis or uncertainty—particularly in the early years when the innovation initially struggled in the Italian market—how did trust contribute to fostering resilience and maintaining motivation within the organization?

9. What role does trust play in sustaining the firm's innovative spirit? In your view, how does trust help to overcome resistance to change and support the achievement of long-term goals during periods of transformation?
10. In your experience, how does trust influence the integration and collaboration between long-standing family members and newly hired or external employees?
11. Looking back at the development of your latest innovation—such as the saffron spray—how did trust among team members and leadership influence the process, from early challenges to final success?

At the end of each interview, the first question "What does trust mean to you?" was repeated, enabling participants to refine or deepen their reflections considering what had emerged during the conversation. Additionally, each interview included one tailored question, crafted according to the interviewee's specific role, responsibilities, or level within the company hierarchy.

To capture the multidimensional nature of trust in the company, interviews were conducted with eight key figures, each occupying distinct roles and positions within the organizational structure. These individuals were selected to represent a diverse range of perspectives, including both family members and non-family employees, as well as those involved in areas such as leadership, exports, sales, logistics, and production. Each interviewee was asked the eleven core questions listed in section 3.6, along with one tailored question designed to elicit insights specific to their role. Here is a table containing the different interviewees and the interviews' information:

NAME	FAMILY MEMBER	ROLE	INTERVIEW DATE	DURATION	LOCATION
Adriano Mantova	Yes	CEO	3 April 2025	47 minutes	In person, central headquarter, Broccostella (via ponte tapino, 35)
Maria Teresa	Yes	Logistics Manager	3 April 2025	38 minutes 43 seconds	In person, Office, Central HQ, Broccostella (FR)
Leonardo Mantova	Yes	Export Manager (Family)	31 March 2025	44 minutes 11 seconds	In person, Personal Office, Central HQ, Broccostella (FR)
Alberto Guazzini	No	Sales Manager	9 April 2025	26 minutes 39 seconds	In person, Office, Central HQ, Broccostella (FR)
Giulia Messercola	No	Marketing Manager	1 April 2025	1 hour 12 minutes 36 seconds	In person, Office, Central HQ,

					Broccostella (FR)
Francesco Lilla	No	Back office (export area)	2 April 2025	57 minutes 51 seconds	In person, Office, Central HQ, Broccostella (FR)
Luca Quadrini	No	Sales Manager – Italy Area	17 April 2025	46 minutes 6 seconds	In person, Office, Central HQ, Broccostella (FR)

Chapter 4

<u>Interviews' Findings: Exploring Trust in Family Firms through Qualitative Interviews"</u>

4 The Building, Maintenance, and Transmission of Trust: Interview Insights.

Building on the theoretical foundations developed in the previous chapter and the participant overview presented above, this section presents the empirical core of the thesis through the analysis of a real-world family business case study. The aim is to explore how trust is built, nurtured, and transmitted across generations, and to examine how trust-based relationships have supported the firm's trajectory of innovation, resilience, and cohesion. In particular, the case illustrates how a high-trust organizational environment enabled the company to overcome early-stage challenges, navigate periods of crisis, and evolve from a small enterprise into a medium-sized global player operating in over 77 countries. To provide a systematic account of these dynamics, the empirical data gathered through interviews are organized across three analytical levels of trust—intrafamilial (among family members), interpersonal (between family and non-family employees), and institutional (between the firm and external stakeholders)—and further divided into the three key phases of the trust lifecycle: building, maintenance, and transmission. This structure enables an in-depth and nuanced picture of how trust operates in the daily practices and long-term strategy of the firm.

4.1 Intrafamilial Trust Among Family Members.

This subsection presents the raw insights concerning trust within the family, as expressed by the family members directly involved in the company: Adriano (Founder and CEO), Leonardo (Export Manager and son of Adriano), and Maria Teresa (Marketing Manager and cousin of Leonardo). Their perspectives shed light on how trust is built, maintained, and transmitted within the family nucleus, which forms the backbone of the firm's governance and continuity.

4.1.2 Intrafamilial Trust: Building Trust at the Intrafamilial Level

Trust within the family is not perceived as an automatic entitlement but rather as something that must be constantly demonstrated. Adriano emphasizes that family ties do not guarantee legitimacy within the firm:

"Non mi è stato regalato nulla: ho dovuto dimostrare sul campo di essere all'altezza, giorno dopo giorno."

(*"Nothing was given to me: I had to prove I was up to the task, day after day."*)

This reveals how trust among family members is grounded in daily demonstrations of competence and commitment, not in blood relations. Adriano underlines that professional credibility in the company is earned rather than inherited.

Leonardo echoes this experience, describing his entry into the business as a period of apprenticeship where trust from his father could only be achieved through consistent effort and learning:

"Quando sono entrato in azienda ero l'ultima ruota del carro. [...] Mio padre non mi ha mai regalato niente, ma mi ha sempre dato modo di imparare affiancandolo." (*"When I joined the company, I was the last wheel of the cart. [...] My father never gave me anything for free, but he always gave me a chance to learn by working alongside him."*)

His account reflects a stewardship-based leadership style, where trust is built gradually through exposure to real business activities and mentorship, rather than by virtue of lineage.

Maria Teresa also points to the importance of proximity and close involvement in daily operations as a way of acquiring trust within the family:

"La gavetta è stata assistere alle sue telefonate, lavorare quotidianamente a stretto contatto con lui."
(*"My apprenticeship was listening to his calls and working closely with him every day."*)

Her narrative highlights how trust is fostered through shared experiences and direct interaction, giving younger family members the opportunity to learn by observing the founder's behaviors and decision-making.

Observations during the internship further confirmed this approach: Adriano and Leonardo occupy separate offices and interact with each other in the same manner as they do with non-family employees. Conversations often take place in open spaces, where no favoritism or preferential treatment emerges. From the outside, it is difficult to distinguish family members from non-family colleagues, as all exhibit similar behaviors and levels of accountability.

Adriano's leadership approach—demanding equal or higher standards from family members—creates a professional culture where meritocracy and discipline prevail. For instance, Maria Teresa herself acknowledged that Adriano is even more demanding with relatives than with outsiders, reflecting an anti-nepotistic stance within the company.

This culture also generates a form of constant pressure for family members such as Leonardo and Maria Teresa, who must continuously prove their reliability and commitment in order to maintain the trust they have earned. The implicit understanding is that Adriano would not hesitate to act in the best interest of the company if that trust were broken, regardless of family ties.

4.1.3 Maintaining Trust at the Intrafamilial Level

Maintaining trust within the family business emerges as a dynamic balance between granting autonomy and providing reassurance. Adriano emphasizes his role as a constant presence, ensuring support without excessive interference:

"Chi è in prima linea sa che io ci sono sempre, anche se non interferisco."

(*"Those on the front line know I'm always there, even if I don't interfere."*)

This reflects a leadership style where family members can rely on his presence and support while enjoying autonomy in their work.

Leonardo confirms this interpretation, stressing that autonomy is always conditional on accountability and adherence to the company's values:

"My father always gave me autonomy, but I knew I had to earn it through results and by respecting the unwritten rules of the company."

His words illustrate how trust is maintained not only through freedom of action but also through clear expectations and the implicit understanding that trust must be continuously earned through results.

Maria Teresa adds a perspective on the emotional dimension of trust maintenance, pointing to the importance of availability and support:

"Quando una persona ha bisogno di aiuto, lui c'è sempre. [...] È sempre disponibile." (*"When someone needs help, he is always there. He's always available."*)

Her account emphasizes the reassuring presence of Adriano, whose constant support fosters an environment of security where family members can rely on him.

From the narratives it also emerges that Adriano places particularly high expectations on family members, especially on Leonardo. A breach of duty by a relative is considered unacceptable and could severely compromise both personal and professional relationships. This strict approach reinforces a culture where discipline and responsibility are indispensable conditions for sustaining trust within the family.

Maria Teresa further underlines that Adriano embodies integrity and commitment in his leadership, setting an example by prioritizing client satisfaction even when this entails personal or organizational sacrifice. She explains that this approach has created an unwritten rule within the company: all members—family and non-family alike—must uphold values such as reliability, efficiency, reputation, and customer care, mirroring Adriano’s own dedication.

Trust also contributes to enhanced transparency and conflict resolution. Family members reported that open discussion and direct confrontation of differing perspectives foster trust and reduce unresolved tensions. Adriano stressed the importance of addressing conflicts internally:

He explained that disagreements should be solved “at the table” within the family, to avoid giving employees the impression of a divided leadership. This practice, he noted, prevents anxiety among non-family staff about the firm’s stability and ensures that conflicts do not undermine collective trust.

A concrete example illustrates how accountability is enforced even within the family. During the internship, a relative was held responsible for a serious mismanagement of orders that caused supplier issues. Adriano confronted him directly and required him to compensate for the damages caused. This case highlights how fairness and discipline are applied consistently, even to insiders, in order to preserve trust and protect the company’s interests.

One of the most remarkable consequences of intrafamilial trust is the family’s resilience and long-term orientation in times of crisis. A significant example occurred in 2012, when Adriano introduced an innovative oil spray technology—a risky and unprecedented project in the sector. Initially, the product was poorly received in Italy, leading to a decade of financial losses, staff reductions, heavier workloads for those who remained, and strict cost-cutting measures.

Despite these hardships, the family never abandoned the project. Their persistence was sustained by mutual trust and shared confidence in Adriano's leadership, which provided emotional support and reinforced their commitment to the long-term vision. Over time, they studied market trends, sought new solutions, and supported one another through the challenges. After ten years of perseverance, the product gained international acceptance, triggering exponential growth and transforming the company's market position.

4.1.4 Transmitting Trust at the Intrafamilial Level

The transmission of trust within the family business involves not only responsibilities but also the transfer of leadership values and cultural norms. Leonardo underscores the symbolic dimension of this process, perceiving trust as something tied to his father's legacy:

"Mi sento responsabile nel portare avanti lo stile di leadership che mio padre ha costruito: apertura, dialogo, serietà. Se tradisco quello stile, tradisco anche la fiducia che lui ha riposto in me."
(*"I feel responsible for carrying forward the leadership style my father built: openness, dialogue, seriousness. If I betray that style, I betray the trust he placed in me."*)

His words highlight how trust is transmitted not merely through formal roles, but by inheriting and perpetuating the leadership style and principles that define the family's way of managing the firm.

Transmission also takes the form of gradual mentoring and incremental delegation of responsibilities. Maria Teresa recalls her progressive empowerment:

"Ho cominciato stando con lui, seguendolo, ascoltando le sue telefonate, aiutandolo nelle attività quotidiane. Poi a poco a poco mi ha lasciato sempre più spazio." (*"I started by staying close to him, listening to his phone calls, helping him with daily tasks. Then little by little, he gave me more and more space."*)

Her experience illustrates how trust is passed on through close involvement in daily tasks, followed by a gradual increase in autonomy. This process reflects a deliberate strategy by Adriano to expose younger family members to responsibility in a measured and structured way.

Maria Teresa also admitted her initial anxiety about meeting expectations. She explained that she was entrusted with increasingly complex responsibilities only after proving her abilities and expressed her desire to be recognized as *"more than a family member."* This testimony underlines the challenges faced by insiders, who must balance kinship ties with professional meritocracy to sustain trust and legitimacy within the firm.

Finally, Adriano has made explicit his preference for recruiting external managers whenever possible. He explained that while a few family members (Leonardo, Maria Teresa, and another relative, Nicandro) are part of the business, he remains reluctant to involve additional relatives. This cautious stance is motivated by a desire to avoid conflicts of interest and preserve organizational integrity, showing that trust in the family is constantly evaluated and never assumed as automatic.

Overall, the findings suggest that trust transmission is inseparable from cultural transmission: the more descendants embody the identity, values, and behavioral norms established by the founder, the more they are perceived as trustworthy custodians of the family firm's legacy.

4.2 ***Interpersonal Trust: Building Trust at the Interpersonal Level***

Trust between family and non-family members emerges gradually through shared goals, respect, and professional behavior. Entering a family-dominated environment requires patience and credibility. Alberto, the first external manager, recalls:

"All'inizio, si percepiva un po' di prudenza, ma non mi sono mai sentito escluso. [...] Non ho preteso fiducia immediata, ho lasciato che fossero i fatti a parlare." (*"At the beginning, there was a bit of caution. But I never felt excluded. [...] I didn't demand immediate trust. I let facts speak for themselves."*)

Similarly, Juna, an export manager, stresses that contribution and competence matter more than family status:

"Non mi sono mai sentita esclusa perché non sono della famiglia. Qui conta quello che sai fare, non da dove vieni."
(*"I've never felt excluded because I'm not part of the family. What matters here is what you can do, not where you come from."*)

Adriano, the founder, explained that recruitment decisions are based not only on formal qualifications but also on personal qualities such as behavior, attitude, and first impressions. He often grants a probationary period to observe how newcomers align with company values. Juna confirmed that informal indicators—punctuality, commitment, even dressing style—help determine initial trustworthiness.

Network-based trust plays a pivotal role. Juna was recommended by an American partner, who strongly endorsed her professionalism, while Alberto's appointment was supported by influential business owners across Italy and Europe. These external references provided assurance to the family before direct collaboration began. Alberto himself reflected that trusting a family firm can be easier than trusting a non-family company, because continuity is guaranteed by the family's stable presence: in non-family firms, personnel turnover shifts trust toward abstract "systems," while in family firms trust remains anchored to individuals and their reputation.

Juna also highlighted cultural differences in recruitment and trust-building. In the United States, she was initially confined to basic tasks despite her proven skills, reflecting a system where trust is not given upfront but earned gradually through performance. By contrast, in Albania, hiring is heavily dependent on personal references and networks, illustrating how cultural contexts shape the role of trust in organizational entry.

Across interviews, cognitive trust—built on competence, reliability, and professionalism—emerged as the central mechanism for establishing trustworthy relationships. Both family and non-family members stressed that trust is never automatic but must be earned. Yet the level of scrutiny differs: Leonardo and Maria Teresa reported higher expectations for relatives to avoid favoritism, while external employees like Giulia and Francesco pointed to the importance of first impressions and reputational trust.

Francesco, a recent hire, emphasized that trust is primarily performance-driven at the start: consistent results, sacrifice, and commitment were his way of gaining credibility. He described the close supervision and pressure he faced as part of his early experience. Conversely, longer-tenured employees like Giulia and Luca viewed trust as broader and relational, incorporating not only competence but also mutual respect, emotional support, and shared history.

This variation illustrates how trust evolves over time. For newcomers like Francesco, cognitive trust dominates; for senior employees like Giulia and Luca, affective dimensions gain prominence alongside competence.

4.2.1 Maintaining Trust at the Interpersonal Level

Once initial trust is established, maintaining it requires openness, accountability, and continuous dialogue. Leonardo noted that external members are given a form of "compulsory trust" at the beginning, but it must be upheld daily through consistent performance. Breaches of responsibility or attempts to exploit leaders' trust are not tolerated.

Interviewees unanimously emphasized the centrality of open communication. Giulia explained:

"La fiducia si basa molto sulla trasparenza: sapere che se sbagli puoi dirlo, che puoi chiedere aiuto."
(*"Trust is strongly based on transparency: knowing that if you make a mistake, you can say it, ask for help."*)

Francesco added that the physical layout of the office—open spaces without barriers—encourages continuous confrontation and teamwork:

"Qui si lavora insieme, non c'è distanza tra uffici. Questo aiuta tanto a creare fiducia." (*"Here we work together, there's no distance between offices. That really helps build trust."*)

He contrasted detached leadership with Adriano's engaged style:

"Vai in guerra e il generale seduto nel suo ufficio... o vai in guerra e il generale è a cavallo con te. Sono due discorsi completamente diversi. Adriano per me è un generale che combatte con me."
(*"You go to war and the general stays in his office... or you go to war and the general is on horseback with you. Adriano to me is a general who fights with me."*)

Francesco recounted formative episodes, such as Adriano's correction of his attitude toward challenges:

"Lui mi ha detto: non dire 'non lo so fare,' dimmi 'mi spieghi?'"
(*"He told me: don't say 'I don't know how to do it,' say 'can you explain it to me?'"*)

He also recalled a car journey where they spoke freely about both work and personal matters, which deepened their trust:

"In macchina insieme per due ore e mezza abbiamo parlato di tutto, di cose che andavano oltre il lavoro. È stata una cosa che ha rafforzato molto il rapporto."
(*"In the car for two and a half hours we talked about everything, beyond work. It really strengthened our relationship."*)

Trust is reinforced daily by the open office culture: colleagues overhear each other's conversations, exchange advice, and share challenges. All employees have access to company platforms and documents, ensuring transparency and minimizing suspicions.

Adriano insists that errors must be acknowledged openly rather than concealed, since hidden mistakes could threaten the firm's survival.

Trust maintenance also extends into personal relationships. Employees often stay for many years, and gestures such as celebrating birthdays or sharing breakfast contribute to a family-like atmosphere. A striking example occurred when a colleague's husband required urgent heart surgery. Adriano mobilized his personal network across Italy to secure treatment, while the company collectively supported the employee. The eventual recovery was celebrated together, reinforcing the strong bonds of trust and solidarity that transcend purely professional ties.

4.2.2 Transmitting Trust at the Interpersonal Level

The transmission of trust is central to sustaining cohesion across family and non-family members. Leonardo highlighted his role in embodying his father's leadership style:

"Devo continuare con quello stile di leadership aperta."
(*"I have to continue with that open leadership style."*)

He explained that consistency reassures employees:

"Credo che, vedendomi agire in coerenza con i valori aziendali di sempre [...] i dipendenti anziani abbiano potuto dire: 'Bene, possiamo fidarci di Leonardo come ci fidavamo di suo padre'."
(*"I believe that by acting in line with the company's longstanding values [...] senior employees could say: 'Good, we can trust Leonardo like we trusted his father.'"*)

Alberto emphasized that the trust he received reshaped attitudes toward external collaborators:

"La fiducia data a me ha cambiato anche il modo in cui i collaboratori vedono l'apertura a figure esterne."
(*"The trust placed in me also changed how colleagues view openness to external figures."*)

Francesco underlined his responsibility to transmit trust by helping new colleagues integrate:

"Nel mio piccolo cerco di dare fiducia ai nuovi, come è stato fatto con me."
(*"In my own small way, I try to give trust to newcomers, just like it was done with me."*)

At the organizational level, Adriano leads by example, convinced that trust is learned through observation:

"Se vedono che tu dai fiducia, anche loro imparano a farlo."
(*"If they see that you give trust, they learn to do the same."*)

Non-family employees expressed overwhelming trust in Adriano. Juna described every word of his as a "free lesson" and valued his openness and availability. Others portrayed him as strict but caring, someone who prioritizes both the company and individuals' well-being. His endorsement acts as a catalyst: when Adriano places trust in someone, others follow.

During my internship, Adriano personally introduced me to the team and expressed confidence in me, which resulted in immediate acceptance. Similarly, Alberto's integration as the first external manager was facilitated by Adriano's explicit trust in him.

Luca confirmed that Adriano’s endorsement was key to believing in Alberto’s competence.

This cascade effect demonstrates how leadership endorsement functions as a baseline for trust transmission, reinforcing cohesion and inclusivity across the firm.

4.2.3 Positive Outcomes of Interfamily Trust

1) Psychological Safety and Positive Workplace Environment

The strength of trust-based ties contributes to a generalized state of well-being that positively impacts all dimensions of the organization. The atmosphere within the firm is characterized by high levels of trust and close collegial relationships, which foster psychological safety, enabling employees to perform under pressure while maintaining high motivation and engagement.

"When I have trust, I make much more conscious decisions… even if I ask for confirmation, in reality I could have done it on my own. But having trust makes me feel more motivated, more confident. This gives you the push to move forward, even when there is a lot of pressure."
(*"Quando ho la fiducia, prendo decisioni molto più consapevoli… anche se magari chiedo conferma, in realtà avrei potuto fare da sola. Però il fatto di avere la fiducia mi fa sentire più motivata, più sicura. Questo ti dà la spinta per andare avanti, anche quando c’è tanta pressione."*)

This mitigates stress, enhances productivity, and cultivates a family-like culture where employees feel valued, trusted, and integrated.

2) Empowerment, Inclusion, and Innovation

At the core of the firm's innovative capacity lies the trust Adriano places in his employees. He consistently promotes inclusivity, encouraging employees to contribute ideas and initiatives. For instance, Giulia, trusting Adriano's openness, conducted a market analysis that led to the launch of two new oil spray products, supported by Adriano and Alberto. Similarly, during the development of the first television commercial, even the newest employees, including myself, were invited to strategic meetings. These practices fostered ownership, creativity, and collaboration, directly enhancing innovation capacity.

3) Resilience, Commitment, and Leadership Humility

Interviewees described trust as fostering resilience and solidarity. Employees willingly worked longer hours and sacrificed personal time during challenges, motivated not by obligation but by commitment and respect.

"There were many times when we had to ship a container late at night, and no one ever backed out. We stayed until late not because we were asked to, but because we felt a sense of responsibility and respect towards the company and towards Adriano." (*"Ci sono state tante volte in cui magari c'era da spedire un container la sera tardi, e nessuno si è mai tirato indietro. Rimanevamo fino a tardi non perché ce lo chiedessero, ma perché sentivamo la responsabilità e il rispetto verso l'azienda e verso Adriano."*)

A striking example is the decade-long perseverance in developing a novel spray technology despite financial and relational difficulties. Moreover, Adriano's openness to others' viewpoints, acknowledgment of his limitations, and promotion of failure tolerance contrast with stereotypes of centralized family control. These practices encouraged risk-taking and adaptive learning, reinforcing resilience and innovation.

4) Strategic Integration of External Managers

The firm's openness to external managers represents another major positive outcome. Despite initial fears, Giulia described outsiders as "mercenaries", Adriano recognized his own limits and entrusted Alberto with significant responsibilities. Alberto's networks boosted Italian market presence, alleviated Adriano's workload, and introduced greater objectivity into decision-making. Employees, like Luca, felt relieved and supported by Alberto's presence, while Leonardo developed a strong collaborative relationship with him:

"I immediately trusted Alberto; I read his résumé and relied on his experience. Having him by my side is an extraordinary experience, and I have learned a lot from him." (*"Mi sono fidato subito di Alberto, ho letto il suo curriculum e mi sono affidato alla sua esperienza. Averlo vicino è una esperienza straordinaria, ho imparato molto da lui."*)

My own observation during the Milan fair further confirmed Alberto's integration and ownership mindset. His successful inclusion exemplifies how trust can overcome bifurcation bias, professionalize governance, and foster innovation and international growth.

4.2.4 Negative Outcomes of Interfamily Trust

1) Structural Informality and Role Ambiguity

Despite positive dynamics, the firm's reliance on informal interpersonal trust has drawbacks. The organizational design remains natural rather than systematically structured, leading to unclear responsibilities, task overlaps, and inefficiencies. Adriano acknowledged the lack of a clear hierarchy as a barrier to knowledge transmission and growth.

"We do not have a well-defined organizational structure, because I have never liked assigning very rigid roles. This clearly creates problems when it comes to transmitting knowledge or growing as a company, since there is no established path." (*"...noi non abbiamo una struttura organizzativa ben precisa, perché a me non è mai piaciuto dare i ruoli molto definiti. Questo chiaramente crea dei problemi quando bisogna trasmettere conoscenza o crescere come azienda, perché non c'è un percorso stabilito."*)

An external HR specialist confirmed employees' anxiety toward potential changes and formalization, revealing cultural resistance to structured roles. This reflects broader challenges in balancing trust-based cohesion with professional governance.

2) Challenges in Discipline and Sanction

Adriano and Maria Teresa admitted difficulty in disciplining or dismissing long-term employees due to emotional bonds.maria Teresa said:

"Of course, it is obvious that since we are relatives, it is easier that if someone has to be dismissed, it will be an outsider rather than a family member. On this we can agree… Surely, it is more difficult."
(*"Certo, è ovvio che essendo parenti, cioè è più facile che dovendo mandare via qualcuno, guardi via un estraneo piuttosto che un parente. Su questo possiamo… Certo, è più difficile magari..."*)

Adriano confirmed and added:

"When you have people who have been here for thirty years, even if they no longer perform, you don’t have the courage to tell them they are no longer suitable. So you give them marginal tasks instead of letting them go."
(*"Quando hai persone che sono dentro da trent’anni, anche se magari non sono più performanti, non hai il coraggio di dirgli: guarda, non vai più bene. Allora cosa fai? Gli lasci qualcosa da fare, ma marginale, per non mandarli via."*)

Instead, underperforming members were sometimes relegated to marginal roles, which could foster frustration and informal power dynamics. This reluctance risks perceptions of leniency or “immunity,” undermining accountability and performance. It illustrates the “altruism-induced governance problem,” where relational concerns conflict with objective governance needs.

3) Open Dialogue and Emotional Conflict

The firm’s open dialogue culture, while fostering inclusiveness, can intensify conflicts. Broad participation sometimes leads to sub-groups and emotionally charged disputes, blurring the boundary between personal and professional relationships. Such conflicts, perceived as personal rather than organizational, can prolong tensions and affect cohesion. This dynamic underscore the delicate balance between transparency and conflict management in family firms.

4.3 Institutional Trust: Building Trust at the Institutional Level

Adriano’s approach to building institutional trust was deeply personal and hands-on, particularly during the company’s early international expansion. He believed that direct involvement and presence in client interactions were essential to establishing credibility and signaling genuine commitment:

“All'inizio andavo io a parlare con tutti, anche nei mercati esteri. Non mandavo altri, perché volevo che vedessero che ci credevo.”
(*“At the beginning, I was the one speaking to everyone, even in foreign markets. I didn’t send others, because I wanted them to see I believed in it.”*)

From a newer generation perspective, Juna complements Adriano’s approach by emphasizing the experiential and relational aspects of institutional trust-building:

“Quando riceviamo clienti dall’estero cerchiamo sempre di coinvolgerli in un’esperienza, non solo commerciale: li portiamo nel nostro stabilimento, li invitiamo a cena, gli facciamo vivere l’ambiente.”
(*“When we receive clients from abroad, we always try to involve them in an experience, not just a business one: we take them to our headquarter, invite them to dinner, let them experience the atmosphere.”*)

Despite not being a family member, Juna stressed her strong sense of accountability when representing the company:

“Anche se non sono della famiglia, quando parlo con un cliente rappresento l’azienda come se fosse mia.”
(*“Even though I’m not part of the family, when I speak to a client, I represent the company as if it were mine.”*)

The interviewees further emphasized that institutional trust is built through family reputation, continuity, and cultural alignment with partners. A meaningful example is the collaboration with a young olive oil entrepreneur from Puglia. Despite natural caution toward a relatively new company, Adriano trusted him because of the strong alignment in values, dedication, and passion for work, which reminded him of himself. Over time, this partnership—rooted in *normative trust*—proved highly successful, demonstrating how shared values can overcome initial skepticism.

Leadership presence and personal interaction were repeatedly identified as crucial trust-building mechanisms. Adriano and Leonardo emphasized transparent, pragmatic leadership and realistic communication: always clarifying what the company can or cannot do to avoid damaging expectations. Beyond rhetoric, direct face-to-face interactions, client visits, and personal invitations to Italy were described as essential practices that signaled authenticity and strengthened trust.

Juna also noted how contractual trust played a role, especially in early relations with new clients. In such cases, she relied on strict contracts and close monitoring during the first months, gradually becoming more flexible only after proven reliability.

Finally, cultural nuances emerged as central. At the Milano Tutto Food Fair, observations highlighted how Italian clients valued family tradition and heritage, Asian clients prioritized innovation, Northern Europeans demanded data and formal safeguards, while American clients were particularly receptive to Italian family businesses combining heritage and creativity.

4.3.1 *Maintaining Trust at the Institutional Level*

According to Alberto, institutional trust is sustained by responsiveness and clarity, particularly during critical situations:

"La fiducia si mantiene anche nei problemi. Se c'è un errore, spieghi subito, risolvi e ti prendi la responsabilità."
(*"Trust is also maintained during problems. If there's a mistake, you explain immediately, solve it, and take responsibility."*)

Giulia reinforced the importance of coherence between communication and behavior:

"La comunicazione deve essere coerente con ciò che facciamo. Se diciamo una cosa, poi va mantenuta."
(*"Communication must be consistent with what we do. If we say something, then it must be followed through."*)

Francesco added that clients easily perceive whether a company operates as a coordinated team or a disjointed set of departments:

"Il cliente percepisce se un'azienda è coordinata o se è un insieme di reparti scollegati."
(*"Clients can tell whether a company is coordinated or just a set of disconnected departments."*)

He also highlighted the firm's dedication to a "yes man" attitude:

"Cerchiamo sempre di soddisfare ogni richiesta del cliente, siamo dei 'yes man' in questo senso."
(*"We always try to satisfy every client request — we're 'yes men' in that sense."*)

Luca explained that maintaining institutional trust requires being constantly available and responsive:

"Siamo sempre disponibili, anche nei momenti difficili. Il cliente si fida perché sa che trova qualcuno che lo ascolta."

(*“We’re always available, even in difficult times. The client trusts us because they know someone is there to listen.”*)

The interviews also pointed out how trust is reinforced through long-term partnerships, consistent product quality, equal treatment of all clients, and tailored solutions such as private labels. Adriano and Juna stressed the importance of punctual payments, responsiveness to even small requests, and continuous interaction—including daily calls and personal visits—fostering mutual respect and reliability.

A powerful example is the 40-year collaboration with a Korean company. Despite challenges such as order overlaps and shortages, both sides consistently worked together to find solutions rather than exploit the relationship, proving the resilience of trust-based governance.

4.3.2 Transmitting Trust at the Institutional Level

Adriano explained how he deliberately prepared Leonardo for external representation:

“Ho cominciato a portarlo con me dagli incontri importanti […] Così, quando è arrivato il momento che parlasse lui, non era un salto nel vuoto per nessuno.”
(*“I started bringing him to important meetings […] So when it was his turn to speak, it wasn’t a leap into the unknown for anyone.”*)

Similarly, he endorsed Alberto with long-term clients by personally accompanying him:

“Adriano mi ha presentato personalmente ai clienti storici, affiancandomi nei primi incontri. […] I clienti hanno sentito che nulla veniva perso, ma che si guadagnava anche in continuità.”

(*“Adriano introduced me personally to long-standing clients, joining me in the first meetings. […] Clients felt that nothing was being lost, but that they were gaining in continuity.”*)

He also facilitated Juna’s acceptance by explicitly endorsing her expertise:

“Juna lo sa meglio di me. […] Ha fatto in modo che gli altri vedessero che si fidava di me.”
(*“Juna knows this better than I do […] He made sure others could see he trusted me.”*)

These examples illustrate how the founder’s presence and endorsement transmit trust to successors and external managers, reassuring clients that continuity is preserved despite leadership changes.

4.3.3 Positive Outcomes of Institutional Trust

Institutional trust in the company generates numerous positive outcomes that extend far beyond transactional efficiency, shaping long-term collaboration, innovation, and resilience. One of the most significant outcomes is the strong sense of reliability conveyed through the direct involvement of family members, particularly Adriano, that stated:

"My constant presence, putting myself on the line, is what reassures the client. Because they know I never leave them alone, and that if I promise something, that promise will be kept."
(*"Il fatto che io sia sempre presente, che ci metta la faccia, è ciò che rassicura il cliente. Perché sa che non lo lascio mai da solo, e che se prometto qualcosa, quella promessa viene mantenuta."*)

Clients consistently perceive his presence as a guarantee of fairness, authenticity, and commitment. His active participation in meetings, visits, and negotiations builds confidence that agreements will be honored and expectations met. This leadership presence proved particularly valuable during the company's recent rebranding initiative.

Indeed, Adriano admitted that:

"At first I was afraid that by changing the packaging style, more modern and less traditional, our long-term clients would feel betrayed. But then I realized that the trust they had in us was stronger: they saw the rebranding as a natural step, not as an abandonment of our values." (*"All'inizio avevo paura che cambiando lo stile del packaging, più moderno e meno tradizionale, i nostri clienti storici si sentissero traditi. Ma poi mi sono accorto che la fiducia che avevano in noi era più forte: hanno visto il rebranding come un passo naturale, non come un abbandono dei nostri valori."*)

Adriano initially feared that abandoning the traditional Italian-style packaging might alienate loyal clients, but the deep trust cultivated over decades mitigated this risk. Clients interpreted the rebranding not as a rupture but as a natural evolution, confident that the family's core values remained unchanged.

Trust also fosters a perception among clients that the firm values relationships over profit maximization. Daily interactions—through visits, events, shared meals, and even frequent phone calls outside working hours—strengthen personal bonds and communicate a long-term orientation. The firm treats all clients equally, whether a multinational chain accounting for 40% of profits or a consumer purchasing a single bottle online. This ethos is exemplified by the forty-year partnership with a Korean distributor, characterized by daily phone calls where personal and business matters intertwine. Even in moments of operational difficulty, such as overlapping orders or raw material shortages, both parties worked together to find solutions, avoiding opportunism and reinforcing mutual respect.

Flexibility and transparency also stand out as outcomes of trust. Clients value the company's openness in addressing problems directly rather than masking them. This candid approach reduces uncertainty and allows for collaborative problem-solving. A vivid example is the development of the innovative saffron spray, which originated from a client's suggestion. Giulia said:

"The saffron spray was born precisely from a client's specific request: they asked us if it was possible, and we started studying the formula. In the end, the product was developed together, thanks to that direct exchange."
(*"Lo zafferano spray è nato proprio da una richiesta precisa di un cliente: ci hanno chiesto se fosse possibile e noi ci siamo messi a studiare la formula. Alla fine il prodotto è stato sviluppato insieme, grazie a quel confronto diretto."*).

Rather than rejecting the idea as too complex or risky, Adriano and his team engaged in transparent discussions with the client, weighing pros and cons, and ultimately embraced the proposal. The result was a successful product launch that highlighted how relational trust can fuel innovation.

Trust-based collaboration also enhances the firm's agility in responding to diverse cultural expectations. Italian clients appreciate shared values and respect for heritage, while Asian clients place greater emphasis on creativity and product novelty. Northern European clients adopt a more cautious stance, focusing on data, contractual clarity, and performance indicators. American clients, meanwhile, combine admiration for Italian tradition with openness to innovation. Across these contexts, the company's commitment to continuous dialogue and adaptability enables it to navigate differences effectively, strengthening its internationalization capacity.

Collectively, these outcomes illustrate how institutional trust not only sustains loyalty and long-term partnerships but also empowers the firm to innovate, embrace change, and maintain resilience in diverse international markets.

4.3.4 Negative Outcomes of Institutional Trust

Despite its many benefits, institutional trust also generates challenges when overextended or unbalanced by formal governance mechanisms. A recurrent drawback is the disproportionate bargaining power that long-term clients can exercise.

Adriano himself admitted:

"Sometimes clients expect rapid delivery or highly customized products beyond what we agreed, and we feel compelled to meet those demands, even if it strains our resources or cuts into our margins." Such extreme availability reinforces trust but also places significant pressure on staff and operations.

Examples shared during the interviews reveal how some clients exploit this accommodating stance. Alberto recounted cases where customers demanded large volumes on short notice or requested special discount schemes, while Giulia described the stress caused by overlapping urgent requests that had to be managed simultaneously. Luca emphasized that clients often leverage the firm's reputation for quality and reliability to push their own agendas, confident that the company will comply to avoid disappointing them. This dynamic not only strains employees—who often work under intense pressure and extended hours—but also risks undermining long-term profitability and sustainability. Francesco agreed by saying that:

"We never say ‘this cannot be done.’ If a client asks for something different, even complicated, we commit to finding a way. But this also means getting ourselves into labyrinths from which we then have to find a way out, with heavy consequences for those who work." (*"Noi non diciamo mai ‘questo non si fa’. Se un cliente chiede qualcosa di diverso, anche complicato, ci impegniamo a trovare il modo. Però questo significa anche infilarci in labirinti da cui poi dobbiamo uscire, con conseguenze pesanti per chi lavora."*).

Another drawback of excessive reliance on relational trust is the reduced emphasis on formal monitoring and documentation. While contracts are signed and clauses openly discussed, they are often treated flexibly in practice, leaving space for ambiguous obligations. Juna’s approach provides a counterpoint: drawing on her experience in non-family firms, she adopts a stricter stance when engaging new clients, relying on contracts and initial monitoring before granting full relational trust. She explained that she only begins to relax and show flexibility after several months of consistent interactions and payments. Her vigilance underscores the tension between trust as a relational asset and the need for contractual safeguards in international contexts.

Moreover, the company’s human-centered, inclusive communication style, while generally a strength, can sometimes generate inefficiencies. Open-ended discussions with clients may lead to overpromising, while the lack of rigorous documentation increases the risk of misunderstandings. This informality, combined with the high degree of trust, can foster complacency, reducing the incentive to maintain strict oversight of partner performance. As Zaheer et al. (1998) warn, excessive trust may lead firms to lower their guard, exposing them to opportunistic behaviors that remain unnoticed until problems escalate.

Together, these findings highlight a paradox: institutional trust is indispensable for long-term collaboration and international growth, yet when it becomes excessive or insufficiently supported by formal structures, it risks overburdening employees, undermining profitability, and creating vulnerabilities in governance. The challenge for family firms lies in balancing relational trust with contractual safeguards, ensuring that the strength of interpersonal bonds does not translate into organizational fragility.

4.4 Trust in Words: A Thematic and Demographic Analysis.

To deepen the understanding of how trust is perceived within the family firm, interviewees were invited to define trust at both the beginning and end of their conversations. This allowed for the development of a "trust map" composed of the adjectives and concepts used, revealing the multidimensional and evolving nature of trust across individual roles, backgrounds, and ages. The resulting picture highlights not only linguistic variety but also deeper differences in how trust is constructed, framed, and acted upon within the firm.

Analysis of these definitions revealed clear patterns. Senior family members, such as Adriano, tend to adopt a profoundly affective and normative view of trust, anchored in loyalty, emotional investment, and the inseparability of family identity from business relationships. Trust, in this view, is absolute and sacred rooted in shared history and seen as difficult, if not impossible, to repair once broken. Conversely, younger and non-family employees express more pragmatic and calculative definitions, seeing trust as grounded in performance, transparency, and demonstrated reliability. Individuals with experience in both family and corporate environments—such as Alberto—tend to adopt hybrid views, balancing emotional connection with structured accountability and open communication.

These variations reflect broader dimensions of trust: affective (emotionally grounded), normative (value- and identity-driven), and calculative (based on risk and performance assessment). These dimensions do not operate in isolation, but dynamically interact depending on role, tenure, and personal history. For example, while interpersonal warmth fosters cohesion, excessive emotional weight can also intensify perceived breaches and complicate reconciliation. Some respondents—particularly senior family members—expressed the belief that once trust is broken, it is nearly impossible to restore, which may help deter opportunism but also risks overreacting to honest errors or misunderstandings.

INTERVIEWEE	KEY TRUST ATTRIBUTES
ALBERTO	Methodological rigor, network orientation, value congruence, autonomy in decision-making, openness to dialogue, reputation management, active listening and evaluative capacity, goal orientation, effective communication, delegation competence.
ADRIANO	Expertise, commitment, reliability, reputation, professionalism, accountability, authority, integrity, sacrifice, performance excellence, consistency, coherence.
JUNA	Organizational skills, attention to detail, guardedness, precision, genuine interest, enduring relationships, flexibility, availability, systematic approach, interpretative ability, empathy, professional experience, consistency, persistence, respect and admiration.

FRANCESCO	Responsiveness, responsibility, transparency, open-mindedness, potential for growth, knowledge sharing, operational effectiveness, preparedness, dialogic communication, equilibrium in decision-making.
MARIATERESA	Presence, loyalty, dialogue facilitation, experience, positive attitude, courage, cultural awareness, humanity, willingness to engage, professional experience.
LEONARDO	Fundamental pillar, driving force, everyday reliability.
GIULIA	Optimism, resilience, capacity to build trust in others

Recognizing the plurality of trust perceptions is essential for effective relational governance in family firms. Trust cannot be managed through a one-size-fits-all approach. Instead, leaders must remain attuned to individual differences and intergenerational expectations, adapting their trust-building strategies accordingly. A context-sensitive approach that balances emotional bonds with operational clarity supports stronger collaboration, eases generational transitions, and reinforces the firm's capacity for resilience and long-term continuity.

Chapter 5

Discussion, Managerial Implications, and Final Reflections

5. Intrafamily trust: From case study to theory.

The evidence challenges the assumption that intrafamilial trust is automatically inherited through kinship ties. Instead, trust is constructed through competence, discipline, and reliability, reflecting a stronger reliance on cognitive trust (McAllister, 1995)[105] rather

[105] McAllister, D. J. (1995). Affect- and Cognition-Based Trust as Foundations for Interpersonal Cooperation in Organizations. Academy of Management Journal, 38(1), 24–59.

than affective trust alone (Eddleston & Kellermanns, 2007). This finding nuances the role of socio-emotional wealth (SEW), showing that while family firms often emphasize legacy preservation and kinship, these values can underpin a meritocratic culture in which legitimacy is tied to proven performance rather than bloodline (Berrone et al., 2012)

The findings also align with stewardship theory, which depicts family leaders as trustworthy stewards who prioritize collective over individual interests (Davis, Schoorman, & Donaldson, 1997)[106]. In this case, leadership behavior reflects both emotional reassurance and rational accountability. Trust is sustained by constant availability and support, while simultaneously reinforced by strict expectations and accountability mechanisms. This balance confirms that affective and cognitive trust can coexist, creating a dual foundation for intrafamilial cohesion (Eddleston & Kellermanns, 2007).

Furthermore, intrafamilial trust contributes to enhanced transparency and conflict resolution. Open dialogue and direct confrontation of differing views reduce unresolved tensions, while conflicts are resolved within the family to prevent negative spillovers onto non-family employees. This resonates with research highlighting how trust facilitates honest communication and prevents escalation of disputes in family firms, thereby protecting organizational cohesion and credibility.

Perhaps the most striking contribution of intrafamilial trust lies in its role in fostering resilience and long-term strategic orientation. Literature often characterizes family firms as risk-averse, particularly with respect to innovation, due to their concern

[106] Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a Stewardship Theory of Management. Academy of Management Review, 22(1), 20–47.

for preserving SEW values (Berrone et al., 2012; Miller & Le Breton-Miller, 2006)[107]. Yet, in this case, trust enabled the family to persevere through a decade-long innovation process marked by financial losses, downsizing, and uncertainty. This resilience—rooted in mutual confidence and shared vision—demonstrates how trust can support bold strategic experimentation and overcome short-term setbacks. The case extends SEW theory by showing that family identity and legacy can coexist with entrepreneurial risk-taking when underpinned by high levels of trust (Christensen, 1997)[108].

5.1 Deviations from Traditional Views

While literature often warns that excessive intrafamilial trust may lead to nepotism and organizational dysfunction (Sundaramurthy, 2008)[109], the evidence suggests that such risks can be mitigated through meritocracy and accountability. Family ties do not automatically justify leadership roles; instead, positions are earned through competence, consistent with Gómez-Mejía et al.'s (2011)[110] argument that sustainable governance requires a balance between affective and calculative trust.

The firm also provides evidence against the occurrence of bifurcation bias, whereby family assets are systematically privileged over non-family assets (Miller & Le Breton-Miller, 2006; Zellweger, Nason, & Nordqvist, 2010)[111]. Here, trust is continually assessed based on results and contributions, and recruitment often favors external candidates to

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[107] Miller, D., & Le Breton-Miller, I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. Family Business Review, 19(1), 73–87.

[108] Christensen, C. M. (1997). The innovator's dilemma: When new technologies cause great firms to fail. Harvard Business Review Press.

[110] Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The Bind that Ties: Socioemotional Wealth Preservation in Family Firms. The Academy of Management Annals, 5(1), 653–707.

[111]Zellweger, T. M., Nason, R. S., & Nordqvist, M. (2010). From longevity of firms to transgenerational entrepreneurship of families: Introducing family entrepreneurial orientation. Family Business Review, 23(2), 125–135.

ensure high standards. This shows how calibrated intrafamilial trust can prevent irrational decision-making driven by blind favoritism.

Finally, the internationalization trajectory offers a further deviation from traditional expectations. The company achieved significant global expansion—reaching over 77 international markets—before formally integrating external managers. This suggests that robust intrafamilial trust and internal governance can establish a solid foundation for international growth, even without early reliance on professional outsiders.

5.2 Interpersonal Trust: how the insights confirm the existing theory.

Interpersonal trust plays a pivotal role in enabling collaboration between family and non-family members in family firms, particularly given the risk of bounded reliability that often makes families cautious toward outsiders (Dyer & Whetten, 2006)[112]. Family firms, strongly tied to socioemotional wealth (SEW), perceive potential misconduct by non-family members not merely as a business risk but also as a threat to family identity and legacy (Berrone et al., 2012).

The empirical evidence demonstrates how this risk is mitigated through a combination of cognitive trust, network-based trust, and cultural mechanisms. Cognitive trust—built on competence, performance, and professionalism—emerges as the foundation of reliable relationships, aligning with McAllister's (1995) distinction between affective and cognitive trust. Over time, affective elements, such as loyalty and care, complement

[112] Dyer, W. G., & Whetten, D. A. (2006). Family firms and social responsibility: Preliminary evidence from the S&P 500. Entrepreneurship Theory and Practice, 30(6), 785–802.

rational evaluation, reflecting the dual nature of interpersonal trust described in the literature (Eddleston & Kellermanns, 2007).

Network-based trust also plays a decisive role in reducing initial uncertainty, confirming prior findings that personal connections, third-party endorsements, and industry reputation are critical for trust formation in family business ecosystems (Zaheer, McEvily, & Perrone, 1998; Stutz, Schell, & Hack, 2022). The reliance on recommendations highlights the embeddedness of family firms in relational networks, where trust is grounded in accumulated reputations and stewardship behaviors (Gómez-Mejía et al., 2007). Moreover, cultural differences affect the balance between formal evaluation and relational trust, consistent with Mayer, Davis, and Schoorman's (1995) model of trust formation.

These dynamics also resonate with Lewicki and Bunker's (1996) model, which conceptualizes trust as evolving from calculus-based trust to knowledge-based trust and ultimately to affect-based trust. Short-tenure employees primarily experience trust through performance evaluation and accountability, while long-tenured employees perceive it as rooted in shared history, mutual respect, and emotional bonds. Such temporal variation confirms that interpersonal trust in family firms develops incrementally, becoming progressively more relational as tenure increases.

By embedding transparency, open communication, and psychological safety, interpersonal trust not only lowers governance costs (Azizi, Bidgoli, & Bidgoli, 2017) but also sustains a collaborative culture where employees—both family and non-family—can admit mistakes, exchange ideas, and share responsibility. This culture mirrors Edmondson's (1999) conceptualization of psychological safety, which fosters organizational learning and innovation.

5.2.1 *Leadership, Trust Transmission, and Governance Outcomes*

A second critical dimension of interpersonal trust concerns its transmission across organizational levels. The evidence highlights the central role of leadership in this process, particularly in family firms where the founder embodies both authority and cultural continuity. Trust transmission in this context reflects leader-follower dynamics (Dirks & Ferrin, 2002), where consistency in leadership style and values reassures employees and fosters stability.

Beyond direct leader-follower relationships, interpersonal trust spreads through trust contagion (Zaheer, McEvily, & Perrone, 1998), whereby trust extended to one individual encourages broader trust across the organization. This process supports the integration of non-family members and the gradual construction of a cohesive culture. Leaders contribute not only by endorsing trusted individuals but also by modeling trustworthy behavior, embedding norms of openness and inclusion. This aligns with Kouzes and Posner's (2007)[113] concept of "leading by example," where trust is learned through observation and imitation.

The dynamics also resonate with signaling theory (Connelly, Certo, Ireland, & Reutzel, 2011)[114] and social proof (Cialdini, 2007)[115], which explain how credible signals from respected leaders shape trust judgments in uncertain contexts. In family firms, the founder's explicit endorsement serves as a powerful signal that reduces skepticism and accelerates trust formation. By institutionalizing these signals in everyday practices,

[113] Kouzes, J. M., & Posner, B. Z. (2007). The leadership challenge (4th ed.). Jossey-Bass.
[114] Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signaling Theory: A Review and Assessment. Journal of Management, 37(1), 39–67.
[115] Cialdini, R. B. (2007). Influence: The Psychology of Persuasion (Rev. ed.). Harper Business.

family firms move beyond kinship-based trust and create inclusive governance structures where family and non-family members collaborate effectively.

Overall, the discussion demonstrates that interpersonal trust is not merely a byproduct of affective ties but a deliberate construct, nurtured through competence, transparency, cultural norms, and leadership modeling. In doing so, family firms reconcile the preservation of SEW with the need for professional governance, enabling them to sustain growth, adaptability, and international expansion (Gómez-Mejía et al., 2011).

5.2.2 *Positive Outcomes of Interpersonal Trust*

Interpersonal trust generates a wide range of positive outcomes in family firms, shaping both organizational performance and the psychosocial environment. High levels of trust contribute to psychological safety, allowing employees to take interpersonal risks, admit mistakes, and share ideas without fear of negative repercussions. This fosters a supportive workplace climate where collaboration, well-being, and engagement are enhanced.

Trust also underpins empowerment and inclusivity, as it provides employees with the autonomy and confidence to contribute to decision-making and innovation. Inclusive leadership practices, grounded in trust, stimulate participation and encourage the expression of diverse perspectives. These dynamics align with theories of psychological empowerment (Spreitzer, 1995) [116]and with the principles of open

[116] Spreitzer, G. M. (1995). Psychological empowerment in the workplace: Dimensions, measurement, and validation. Academy of Management Journal, 38(5), 1442–1465.

innovation (Chesbrough, 2003), showing how trusted employees become active contributors to continuous improvement and creativity.

A further outcome of interpersonal trust is resilience. Trust-based relationships strengthen commitment and foster solidarity, enabling employees to work cohesively and sustain performance during challenging periods. This dynamic supports organizational adaptability and aligns with the literature linking trust, collective effort, and long-term stability in family firms (Miller & Le Breton-Miller, 2006). Leadership humility and openness to diverse viewpoints further reinforce this resilience, counteracting tendencies toward rigid decision-making and emotional bias (Gómez-Mejía et al., 2007).

Finally, interpersonal trust facilitates the strategic integration of external managers, which is often a critical challenge for family firms due to fears of opportunism and bifurcation bias (Sundaramurthy, 2008; Berrone et al., 2012). When trust is deliberately extended to external professionals, family firms can overcome traditional governance barriers and benefit from new expertise, networks, and perspectives. This process enhances professionalization, innovation, and international growth, confirming prior research on the role of trusted external managers in sustaining family business competitiveness.

Taken together, these outcomes highlight how interpersonal trust not only strengthens relational dynamics within the firm but also acts as a strategic resource that enables empowerment, innovation, resilience, and professionalization.

5.2.3 Negative Outcomes of Interpersonal Trust

Despite the positive balance achieved by this family firm, the findings reveal several challenges arising from an overreliance on informal interpersonal dynamics. The persistence of a natural, historically shaped organizational structure risks generating inefficiencies and role ambiguity. Organizational theory suggests that as businesses grow, structural complexity must evolve in parallel to meet environmental demands (Lawrence & Lorsch, 1967). Without formalized roles, employees may face task overlap, frequent switching, and unclear accountability, constraining both efficiency and human capital development. Adriano's own recognition of these limitations underscores the importance of formal governance systems for scalability and succession (Sharma, Chrisman, & Chua, 1997).[117]

The resistance encountered during the HR specialist's intervention illustrates the cultural inertia typical of family firms. As Zellweger, Kellermanns, Chrisman, and Chua (2012) argue, strong socioemotional wealth attachments foster reluctance to adopt formal structures. Employees' anxiety about losing autonomy reflects this tension, highlighting how deeply embedded trust-based practices can hinder structural adaptation.

Another drawback concerns the difficulty of sanctioning long-standing employees. Affective trust and relational closeness often clash with the need for objective governance, leading to hesitation in enforcing clear consequences. Adriano's preference for reducing responsibilities instead of applying direct sanctions exemplifies how excessive protection of insiders can undermine discipline and accountability. This dynamic may create informal power imbalances and reduce incentives for improvement.

Finally, the firm's strong culture of open dialogue, while fostering inclusiveness and transparency, can also escalate conflicts. Broad participation sometimes intensifies disagreements and prolongs discussions, particularly when issues are perceived through both professional and personal lenses. The dual role of family and business complicates

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[117] Sharma, P., Chrisman, J. J., & Chua, J. H. (1997). Strategic management of the family business: Past research and future challenges. Family Business Review, 10(1), 1–35

conflict resolution, amplifying emotional responses. While openness can mitigate mistrust, it can also give rise to divisions or factions if not carefully managed.

Taken together, these outcomes demonstrate that while interpersonal trust is a vital resource, excessive reliance on it without complementary structures can produce inefficiencies, governance weaknesses, and emotional strain. To sustain long-term growth and cohesion, family firms must consciously balance trust-based informality with professionalized systems of accountability, conflict management, and role clarity.

5.3 Institutional Trust as Relational Governance: from empirical data to theoretic evidence.

Institutional trust in family firms represents more than a contractual safeguard; it is a relational governance mechanism deeply embedded in the socioemotional wealth (SEW) orientation of these organizations. Family businesses often prioritize the preservation of legacy, reputation, and relational quality over short-term financial gains (Gómez-Mejía et al., 2011). This orientation makes them attractive to external stakeholders seeking stable, long-term partnerships, but it also fosters initial caution, as family firms are wary of engaging with partners who might threaten SEW preservation. This ambivalence resonates with the willingness–ability paradox (Zellweger et al., 2012), whereby family firms initially hesitate to collaborate externally but, once committed, leverage their unity and adaptability to build strong institutional trust.

Trust formation is further reinforced by normative trust mechanisms, grounded in shared values, cultural norms, and ethical standards (Kramer & Tyler, 1996; Dyer & Singh, 1998;

Sako, 1992)[118]. The findings show that partnerships are not sought exclusively with other family firms, as sometimes suggested, but with organizations that demonstrate alignment in long-term vision, fairness, and commitment. This is exemplified by collaborations where shared values act as relational assets, ensuring fairness and stability regardless of ownership structure (Habbershon & Williams, 1999)[119]. In this way, institutional trust functions as a filter that selects partners not only for economic performance but also for cultural and relational fit, thereby reducing the risk of ethical conflict and fostering enduring collaboration.

5.3.1 Leadership Presence and Transmission Across Generations

A second crucial aspect of institutional trust lies in the visible presence and active role of family leaders in relationship management. Adriano's personal involvement in early internationalization stages illustrates how founder-led engagement signals authenticity and commitment, accelerating trust formation with clients and partners. This finding is consistent with Sharma et al. (1997), who highlight the role of founders as trusted representatives embodying the firm's values.

The transmission of institutional trust across generations and to non-family managers reflects a deliberate socialization process. Adriano's practice of accompanying Leonardo

[118] Kramer, R. M., & Tyler, T. R. (Eds.). (1996). Trust in organizations: Frontiers of theory and research. Sage Publications. Dyer, W. G., & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. Academy of Management Review, 23(4), 660–679; Sako, M. (1992). Price, quality and trust: Inter-firm relations in Britain and Japan. Cambridge University Press.

[119] Habbershon, T. G., & Williams, M. L. (1999). A resource-based framework for assessing the strategic advantages of family firms. Family Business Review, 12(1), 1–25.

and Alberto in meetings exemplifies leader–follower trust transfer (Dirks & Ferrin, 2002), ensuring continuity and reassuring clients about stability during succession. Explicit endorsements function as credible signals (Connelly et al., 2011), reinforcing external stakeholders' confidence. This dynamic also resonates with the principle of social proof (Cialdini, 2007), as clients interpret the founder's visible trust in successors or managers as a reliable cue for their own trust decisions.

Thus, leadership continuity not only preserves existing partnerships but also enables smoother transitions in governance. By combining founder involvement with gradual exposure of successors, family firms institutionalize trust, embedding it in values and practices rather than relying solely on individual personalities.

5.3.2 Positive Outcomes of Institutional Trust.

Institutional trust generates significant benefits for family firms, particularly in the areas of internationalization, innovation, and relational stability. Trust-based relationships reduce monitoring and transaction costs, as partners perceive the firm as reliable, transparent, and committed to reciprocity. This long-term orientation enhances collaboration and allows for more flexible arrangements, reinforcing mutual confidence even under challenging conditions.

Moreover, institutional trust fosters resilience and innovation by enabling partners to share ideas and jointly pursue opportunities. Collaborative product development, co-created solutions, and responsiveness to client suggestions demonstrate how trust-based networks act as fertile grounds for innovation. In volatile international markets, the combination of resource fluidity and relational embeddedness enhances family firms' adaptability, supporting sustained growth and competitiveness.

Another positive outcome is the capacity to manage strategic risks, such as rebranding or entry into new markets, without jeopardizing established relationships. The personal familiarity and credibility of family leaders reassure partners that such changes represent evolution rather than rupture. In this sense, institutional trust provides a buffer against uncertainty, enabling family firms to modernize while retaining partner loyalty.

5.3.3 Negative Outcomes of Institutional Trust

Despite its many advantages, institutional trust also entails risks when overextended or insufficiently balanced by formal governance. Excessive accommodation of client demands can shift bargaining power in favor of external stakeholders, leading to organizational strain and reduced margins. This tendency reflects the vulnerability of trust-based systems to exploitation, as described in the literature on opportunistic behavior (Zaheer et al., 1998).[120]

Furthermore, the prioritization of relational trust over contractual safeguards may foster complacency, reduce monitoring rigor, and generate governance gaps. Findings show that while informal, human-centered communication is central to family firm culture, the lack of formalized documentation or rigid contract enforcement sometimes complicates accountability and exposes the firm to vulnerabilities in international collaborations.

[120] Zaheer, A., McEvily, B., & Perrone, V. (1998). Does Trust Matter? Exploring the Effects of Interorganizational and Interpersonal Trust on Performance. Organization Science, 9(2), 141–159.

These issues align with broader concerns about over embeddedness, where strong relational ties can limit adaptability and create dependency (Uzzi, 1997).

Finally, cultural differences in trust-building strategies highlight the complexity of sustaining institutional trust globally. While Italian or American partners may value relational continuity, Northern European and Asian clients often expect stronger formal controls and performance-based guarantees. Balancing relational trust with contractual trust therefore becomes essential for managing diverse expectations across cultural contexts and sustaining trust in international markets.

5.4 Comparative Reflection: Intrafamilial vs. Interpersonal Trust

Intrafamilial and interpersonal trust, while interdependent, operate with distinct dynamics and consequences within the family firm. Intrafamilial trust is intuitively available due to shared history, emotional bonds, and legacy, creating a stable foundation that fosters cohesion and unity. However, this same familiarity can give rise to risks such as trust blindness, nepotism, and resistance to professionalization if not critically managed. Interpersonal trust, by contrast, emerges more deliberately, grounded initially in cognitive evaluations of competence, professionalism, and reliability. Over time, it deepens into affective trust characterized by loyalty, respect, and mutual commitment. This evolution enables family and non-family employees to collaborate effectively, fostering innovation, resilience, and collective engagement. Yet interpersonal trust also carries potential pitfalls: excessive informality, role ambiguity, and emotionally charged conflicts that may undermine organizational performance if left unmanaged. Comparing the two levels reveals their complementary nature: intrafamilial trust provides the emotional glue necessary for continuity and shared identity, while interpersonal trust introduces a framework for integrating diverse competencies and adapting to dynamic challenges. Striking the right balance between these forms of trust—anchoring legacy while enabling adaptability—requires formalization and intentional leadership capable of leveraging their synergies for sustainable growth.

5.4.1 Comparative Reflection: Interpersonal vs. Institutional Trust

The comparison between interpersonal and institutional trust highlights their complementary but distinct functions in shaping the trajectory of family firms. Interpersonal trust operates on a more immediate and dynamic plane, beginning with cognitive assessments of competence and reliability and maturing into affective loyalty and mutual respect. It sustains collaboration, fosters innovation, and underpins the daily functioning of the firm, but also requires careful management to prevent ambiguity, informality, or emotional overload. Institutional trust, in contrast, extends the family's values outward, shaping credibility and legitimacy in interactions with clients, suppliers, and partners. Built on reputation, transparency, and long-term orientation, institutional trust facilitates international expansion and durable alliances. Yet it also introduces challenges, including imbalances in bargaining power, overreliance on relational trust at the expense of formal safeguards, and the need to navigate diverse cultural expectations across global markets. Taken together, the two levels of trust serve complementary purposes: interpersonal trust strengthens the firm's internal social fabric, while institutional trust builds external legitimacy and competitive advantage. Recognizing their interplay allows family firms to design governance systems that preserve socioemotional wealth while ensuring adaptability and resilience in both domestic and international arenas.

5.5 Managerial implications.

Taking into consideration all the analyses conducted so far, it is now possible to present a comprehensive and holistic understanding of the pivotal role that trust plays within family businesses, and more broadly, in business operations. Trust fundamentally influences operational efficiency and involves a complex, multifaceted process of building, maintaining, and transmitting it across generations. Numerous factors, both tangible and intangible, converge to shape the overall concept of trust. The findings underscore how individual histories, cultural backgrounds, personal experiences, sensitivities, and behaviors impact one's perception of trust, as well as how subjectivity informs the ways in which trust is both earned and extended to others.

Leadership emerges as a critical component in this dynamic. The leader functions as the guiding anchor of the business, tasked with steering, supporting, and fostering a secure environment where trust among members and towards leadership itself becomes the primary catalyst for achieving high performance. In the context of family firms, trust operates at multiple levels: intra-family trust, which, although partially inherited, paradoxically requires continuous nurturing, as any potential breach may jeopardize the very existence of the business; and interfamilial trust, bridging family and non-family members, which serves as a cornerstone for overcoming challenges such as nepotism and favoritism. This relational foundation enables the creation of an open, meritocratic environment where all members—regardless of family status—are recognized and evaluated based on objective criteria. Such an environment significantly enhances the family firm's capacity for growth, expansion, and internationalization, largely fueled by the motivation and commitment of non-family employees.

Moreover, entrusting external managers is essential for infusing the organization with objectivity and strategic capacity, enabling the firm to seize emerging growth opportunities and solidify its competitive position in the market. This dynamic further promotes innovation and adaptability. Lastly, the process of building trust with external clients, both domestic and international, is revealed to be equally intricate and multifaceted. It demands cultural literacy and sensitivity to effectively establish and nurture relationships across diverse global contexts.

In sum, trust within family firms is a complex, layered construct essential for internal cohesion, external partnerships, and sustained competitive advantage, requiring deliberate attention to its various dimensions and stakeholders.

However, alongside the significant benefits that trust generates across all three levels—familial, interpersonal, and institutional—there exist several inherent pitfalls that must be proactively managed. While trust remains a fundamental cornerstone essential to sustaining business performance and growth, its mismanagement or overreliance can transform it into a liability, potentially causing more harm than benefit. Consequently, it is imperative for the company to implement targeted managerial strategies and governance practices aimed at leveraging trust efficiently, mitigating risks, and ensuring that trust continues to serve as a catalyst for sustainable success rather than a source of vulnerability.

1) Organizational Structure and Role Definition

During the ethnographic analysis, it emerged clearly that the company currently lacks a formal and well-defined organizational structure to efficiently coordinate work, roles, responsibilities, and hierarchical relations. While members are assigned specific tasks, the absence of an explicit organizational design leads to a natural but informal and organic structure characterized by high levels of horizontal communication, minimal hierarchy, and no formally recognized positions. Although such an organic structure may function adequately in small, family-like environments, it poses significant challenges as the company grows and operations become more complex.

A tangible consequence of this informal setup is the observed work overload affecting some employees disproportionately. While certain members have limited duties, others frequently face an excessive number of tasks within a standard eight-hour shift, leading to heightened stress, errors, overlooked communications, and reduced overall efficiency. This workload imbalance not only risks employee burnout but also threatens operational performance and sustainability.

To address these issues, it is imperative to formally define roles, responsibilities, and reporting lines. Implementing a clear hierarchical structure will provide accountability and enable more effective delegation and task management. Given the company's transition from a small to a medium-sized enterprise, it is advisable to expand the workforce by hiring additional back-office and support staff to relieve current incumbents from excessive workloads.

The design of this organizational structure should consider several key contingencies to ensure alignment with the company's operational realities and culture:

1. **Diversification**: Operating in over seventy-seven countries and managing multiple product lines, the company faces a high degree of market and product diversification. This complexity requires a flexible organizational design capable of addressing the diverse and dynamic needs of international markets. Rigid functional structures with strict hierarchies and narrow product focus would likely hinder responsiveness and adaptation. A divisional or matrix structure may better

support cross-functional coordination, localization, and innovation in such a complex context.

2. **Size**: It is widely recognized that as organizations grow, their structural complexity increases. However, complexity often grows more slowly than size, which can result in insufficient organizational sophistication relative to firm scale. This gap is evident in the company, which is expanding rapidly without formalizing roles and processes. This mismatch risks bottlenecks, confusion, and inefficiencies, limiting future growth potential. Formalizing structure and procedures will allow for scalability, clearer communication, and better operational control without sacrificing collegiality.
3. **Culture**: Organizational culture is critical in determining structure acceptance and effectiveness. The company's strong Italian family-oriented culture values open communication, empathy, trust, and collegiality. The leadership's style—anchored in human-centered management, continuous dialogue, and mutual support—creates a unique work environment resistant to rigid formalization. Past attempts to alter office layouts were met with resistance due to fears of reduced interaction. Therefore, the new structure must preserve core cultural elements by facilitating open communication and teamwork while introducing necessary formal boundaries.
4. **Member Attitudes**: The employees exhibit a blended preference for teamwork and individual accountability. They value collaboration and frequent interaction but also require clear delineations of individual responsibilities to avoid overlap and confusion. The organizational design should therefore balance the need for teamwork with role clarity, ensuring that collective efforts do not undermine accountability.

5. **Environment**: The oil industry is a highly dynamic, competitive, and rapidly evolving sector, demanding continuous adaptation to price fluctuations, regulatory changes, and market conditions. The organizational structure must be sufficiently flexible and elastic to enable quick decision-making, resource reallocation, and responsiveness. A flexible, decentralized structure will empower teams to act swiftly while maintaining strategic coherence.

In sum, a tailored organizational structure that respects the firm's culture and contingency factors will enhance operational efficiency, reduce employee overload, and support sustainable growth. Such a design should provide clarity and formalization where needed, without undermining the familial and collaborative spirit that characterizes the company's internal dynamics.

2) Recommended Organizational Structure for the Family Firm

Given the company's specific characteristics, including a focused product portfolio centered on two main oil categories, a geographically diverse market presence spanning Italy, Europe, the Americas, and the Middle East & Africa, and an organizational culture that prioritizes horizontal communication and collaboration, a matrix organizational structure is recommended to effectively support its rapid growth and dynamic operational environment. This structure integrates a functional approach with regional market divisions to clearly delineate responsibilities across core departments such as administration, finance, marketing, production, logistics, commercial activities, quality control, and research and development (R&D). Defining managerial roles within these functions is essential for standardizing internal processes, formalizing responsibilities, and ensuring accountability. Importantly, establishing a dedicated R&D function will promote ongoing innovation and responsiveness to evolving market demands, which are critical success factors in the competitive oil and food sectors (Teece, 2007)[121].

To address the diverse and culturally distinct international markets, the commercial function should be segmented by geographic regions, namely Italy, Europe, Americas, and Middle East & Africa, with specialized personnel responsible for managing client relations and tailoring market strategies within their respective areas. This geographical segmentation allows the company to adapt to local regulatory, cultural, and competitive conditions while maintaining a consistent product focus, thus avoiding unnecessary organizational complexity (Bartlett & Ghoshal, 1989)[122]. The integration of these functional and regional dimensions forms the basis of a matrix structure.

This matrix design facilitates cross-functional collaboration by promoting the formation of interdisciplinary teams for key initiatives such as new product development, marketing campaigns, and global expansion projects. Such collaboration leverages the firm's cultural strengths—open communication, mutual support, and teamwork, without compromising the clarity of formal roles and lines of authority (Galbraith, 2014)[123]. The matrix structure enhances knowledge sharing, accelerates innovation, and improves organizational agility, all of which are vital in the fast-evolving oil industry context.

Moreover, this approach enables the standardization of rules and procedures, which is crucial for streamlining the training and mentoring of new employees. With established

[121] Teece, D. J. (2007). Explicating dynamic capabilities: The nature and micro foundations of (sustainable) enterprise performance. *Strategic Management Journal, 28*(13), 1319–1350

122 Bartlett, C. A., & Ghoshal, S. (1998). *Managing across borders: The transnational solution* (2nd ed.). Boston, MA: Harvard Business School Press.

123 Galbraith, J. R. (2014). *Designing organizations: Strategy, structure, and process at the business unit and enterprise levels* (3rd ed.). San Francisco, CA: Jossey-Bass.

guidelines and protocols in place, new hires can more quickly assimilate the company's practices, reducing onboarding time and improving overall workforce effectiveness. This procedural clarity supports consistent quality and performance, facilitating smoother transitions as the company continues to grow.

Ultimately, this hybrid matrix structure strikes a balance between formalization and flexibility, providing the clarity and discipline needed to manage growth and complexity, while preserving the horizontal communication and collaborative spirit that characterize the company's culture. By implementing this structure, the firm can reduce risks associated with role ambiguity and workload imbalances, improve operational efficiency, and sustain competitive advantage in its international markets over the long term.

3) Managing Matrix Complexity and Leadership in Organizational Change

Given the complexity inherent in matrix organizational structures, the company must proactively manage potential challenges such as dual reporting lines, role conflicts, and communication overload. Establishing clear escalation protocols and strong cross-functional communication channels will be essential to prevent ambiguity and foster effective collaboration. Regular training and alignment sessions can help employees navigate the matrix environment, ensuring clarity of responsibilities and reinforcing accountability.

Leadership plays a crucial role in guiding the organization through this transition. Leaders must actively manage change by communicating vision and rationale, addressing resistance with empathy, and modeling behaviors that reflect the firm's values and new operating principles. Their visible commitment to the organizational transformation will inspire trust, encourage buy-in, and support a culture that embraces continuous improvement and innovation. According to Kotter (1996)[124], successful change management relies on leadership that creates urgency, builds coalitions, and reinforces new behaviors. Their visible and consistent commitment will inspire trust, encourage buy-in, and support a culture that embraces continuous improvement and innovation.

4) Fostering Innovation and Customer Engagement

In addition to optimizing organizational structure, the company should strategically invest in enhancing its innovation processes and customer engagement practices. Creating dedicated spaces for creativity, such as open work areas equipped with whiteboards for brainstorming and idea collection, can stimulate collaborative problem-solving and foster a culture of continuous innovation. Encouraging regular brainstorming sessions across departments will also harness diverse perspectives and accelerate the development of novel products and solutions.

Furthermore, adopting an open innovation approach by integrating customers directly into the ideation process can unlock valuable insights and foster stronger brand loyalty. Digital platforms, such as interactive website features, gamified idea submission portals, or online competitions, can incentivize customers to contribute ideas by offering rewards such as discounts or exclusive promotions. This crowdsourcing method not only generates a wealth of creative input but also strengthens customer relationships by making clients active participants in product development. (Chesbrough, 2003)[125].

Enhancing the company's presence on social media is equally critical. Maintaining daily updates and launching targeted campaigns can improve customer awareness and

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[124] Kotter, J. P. (1996). *Leading change*. Boston, MA: Harvard Business School Press.
[125] Chesbrough, H. W. (2003). Open innovation: The new imperative for creating and profiting from technology. *Harvard Business School Press*.

education about product lines that are often misunderstood or underappreciated. Social media also provides a dynamic channel for real-time customer feedback, market trend monitoring, and personalized marketing efforts, which together can bolster the firm's competitive positioning.

By institutionalizing these innovation-oriented and customer-centric practices, the company will be better equipped to respond to evolving market demands, enhance product differentiation, and

5) Modernization and Optimization of Physical Workspaces

Recognizing the psychological and operational impact of the physical environment on employee well-being and client perceptions, the company should prioritize the modernization and optimization of its internal workspaces. Upgrading offices to reflect a modern, clean, and more formalized aesthetic can enhance employees' sense of pride, motivation, and productivity (Davis, 1984).[126]. Such improvements contribute to creating an authentic and inspiring atmosphere that aligns with the company's growth trajectory and professional stature. Additionally, workspace layout and design influence not only physical efficiency but also psychological well-being, as poorly designed environments can contribute to stress and reduce cognitive performance (Vischer, 2007)[127].

Furthermore, as the firm increasingly hosts external clients, a well-designed office space can positively influence client impressions, signaling professionalism, stability, and

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[126] Davis, T. R. V. (1984). The influence of the physical environment in offices. *Academy of Management Review, 9*(2), 271–283.

[127] Vischer, J. C. (2007). The effects of the physical environment on job performance: Towards a theoretical model of workspace stress. *Stress and Health, 23*(3), 175–184.

success. Attention to detail in workspace design and upkeep is particularly important for a medium-sized enterprise undergoing rapid expansion, as these factors support the company's brand identity and competitive image.

6) Refining Market Targeting and Positioning

An additional recommendation for optimizing the company's market strategy involves adopting a more deliberate and focused market targeting approach. While the success of the spray oils has fueled rapid growth, the company currently serves a wide spectrum of customers—from large supermarket chains and HoReCa sectors to individual consumers through their website. This broad targeting, although advantageous initially, risks diluting the brand's market positioning, particularly when products appear simultaneously in discount outlets and premium retail environments.

To strengthen brand perception and clarify consumer messaging, it is advisable to prioritize partnerships with higher-end supermarket chains and specialty stores, thereby reinforcing an image of quality and exclusivity. Should the company continue serving diverse segments, a dual strategy is recommended: maintaining premium product lines for exclusive retailers while offering differentiated, cost-effective versions tailored to discount markets. This strategic segmentation helps preserve the brand's integrity, ensuring consistent quality perception and stronger market positioning.

In summary, the managerial implications derived from this study underscore the critical need for the company to balance formalization with its distinctive family-oriented culture. Implementing a tailored matrix organizational structure will enhance operational clarity and scalability while preserving open communication and collaboration. Investing in innovation processes and customer engagement strategies will further strengthen competitive advantage and market responsiveness. Moreover, refining market targeting and positioning will ensure the brand’s value proposition remains clear and compelling amid rapid growth. Finally, modernizing internal spaces and reinforcing leadership’s role in managing organizational change will support a healthy, motivated workforce capable of sustaining long-term success. Together, these recommendations provide a comprehensive roadmap to harness trust effectively as a strategic asset, mitigate inherent risks, and foster sustainable growth in a complex global environment.

5.6 Research Limitations and Future Research Directions

This study provides an in-depth exploration of trust dynamics within a single-family firm, offering valuable insights into the intricate processes through which trust is built, maintained, and transmitted across generations and organizational members. However, the focus on a single company inherently limits the generalizability of the findings. Although the firm operates globally, it remains deeply rooted in the distinctive Italian cultural context, which carries specific traditions, customs, and social norms that strongly influence trust perceptions and business conduct. Consequently, the mechanisms of trust observed here may not be entirely representative of family firms operating in different cultural or institutional environments.

Moreover, the firm under study is a longstanding company with a workforce largely composed of seasoned members who have been employed for over five years. This relative employee stability and institutional memory likely impact the ways trust is experienced and enacted, potentially differing from younger or more dynamic organizations where employee turnover is higher. Such contextual factors underscore the need for caution when extrapolating the findings beyond the present case.

Future research should aim to extend the investigation to other family firms within the Italian context to evaluate the consistency of trust-related dynamics across diverse organizational structures and sectors. Further, broadening the research scope to include family businesses from a variety of cultural and geographic backgrounds would provide a richer understanding of how national culture shapes trust formation and its influence on family business governance and performance.

Additionally, comparative studies involving family and non-family firms could shed light on the unique strengths and vulnerabilities inherent to family enterprises. Exploring how family firms might benefit from adopting more neutral, formalized governance mechanisms common in non-family firms—and how non-family firms could incorporate relational governance elements typical of family businesses—would contribute to developing more integrative and effective management practices. Ultimately, this study serves as a foundational investigation into the complex role of trust in a single Italian family firm, paving the way for future multi-case and cross-cultural research that could generate more comprehensive, generalizable insights into trust as a critical factor for family business sustainability, growth, and internationalization.

5.7 Conclusion

This thesis investigated how trust is built, maintained, and transmitted within a family business across three interconnected levels: intrafamilial, interpersonal, and institutional. Grounded in a qualitative case study of an Italian family-owned company and combining literature with rich empirical material from interviews and ethnographic observation, the research aimed to understand trust not as a static asset, but as a dynamic, evolving process that plays a vital role in shaping relationships, decision-making, and strategic continuity in family firms.

The findings reveal that intrafamilial trust serves as the emotional foundation of the firm, reinforcing identity, unity, and generational continuity. It is often taken for granted due to shared history, but the findings confirm that even within families, trust must be intentionally cultivated through consistency, reciprocal respect, and competent leadership. When left unchecked, strong affective ties can foster nepotism, resistance to external input, or governance inefficiencies.

At the interpersonal level, trust between family and non-family members is shown to be more complex and layered. It begins with cognitive assessments of competence and reliability but deepens into affective and relational trust over time. This form of trust functions as a bridge between legacy and professionalization— and proves essential for fostering collaboration, innovation, and a shared sense of purpose. Yet it also carries potential downsides, such as role ambiguity, emotional overload, and difficulty in managing conflicts without formalized structures. The company's experience shows that interpersonal trust can become a strategic asset only when combined with clarity of roles, transparent leadership, and shared cultural values.

At the institutional level, trust enables the firm to interact confidently with clients, importers, partners, and external actors—especially in the context of internationalization. It is built through reliability, transparency, and value alignment, and sustained through repeated interactions and reputational capital. However, the case study also reveals risks linked to overembedded relationships, such as strategic rigidity, dependency on long-standing partners, and limited openness to new markets or innovations.

By exploring trust across these three levels and three phases—building, maintenance, and transmission—the thesis offers an integrative framework to understand trust as both a relational infrastructure and a strategic lever. It shows that trust must be actively managed, not assumed: excessive trust may lead to inertia, favoritism, and blurred boundaries, while the absence of trust erodes cohesion, performance, and vision. The key lies in finding balance—between affect and rationality, between informality and structure, and between tradition and renewal.

One of the most profound insights emerging from this research is that the strength of a family business does not depend solely on the presence of family members. Rather, it depends on the ability to create and sustain a family-like environment, where shared values, mutual respect, and collective identity are cultivated across the entire organization. In the case study firm, although only three employees belong to the founding family, the entire workforce operates with a sense of unity, loyalty, and responsibility that mirrors a familial culture. This cohesion is not coincidental—it is the result of the founder's ability to lead with authenticity, coherence, and emotional intelligence, embedding a culture of trust that transcends blood ties. As the testimonies suggest, it is not the "family" per se that holds the company together, but the capacity of the leader to embody and transmit values that all employees recognize as their own.

This finding brings us to a key managerial implication: trust does not flow automatically from ownership or tradition—it must be earned, reinforced, and formalized. Leaders play a crucial role in shaping trust-based cultures that are both emotionally meaningful and strategically sound. Governance structures, clear communication channels, and inclusive leadership practices are necessary to ensure that trust becomes a shared and sustainable resource—especially during moments of transition such as succession or international expansion.

Naturally, this study has limitations. It focuses on a single Italian firm operating in a specific sector, which constrains the generalizability of the findings. Moreover, while the qualitative approach provides deep insight into lived experience and meaning making, it does not permit causal claims or cross-cultural comparisons. Future research could adopt a comparative multi-case approach or explore trust evolution through longitudinal designs. Additionally, examining how digitalization, remote work, or ESG commitments influence trust dynamics in family firms could open valuable new directions.

In conclusion, trust in family firms is not inherited—it is intentionally constructed, continuously nurtured, and consciously transmitted. It can be the most powerful resource a business possesses—but only if it is managed with both heart and discipline. When balanced wisely across internal and external relationships, trust becomes more than a governance tool: it becomes the cornerstone of legacy, innovation, and long-term success.

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