

## INTERPERSONAL RELATIONSHIPS, CONFLICTS, AND NEPOTISM IN WOOD-PROCESSING BUSINESSES

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### ABSTRACT

The article is aimed at defining the quality of interpersonal relationships, the frequency of conflicts, and the degree of nepotism occurring in family businesses operating in the Slovak wood-processing industry. The research was conducted through a questionnaire survey of 362 family businesses, and the collected data were analyzed using statistical methods, specifically a hypothesis test of relative frequency and a modal analysis. The results revealed that positive relationships between family members and employees prevail in most family businesses, conflicts occur rarely, and nepotism is eliminated chiefly through transparent management practices. Confirmed hypotheses indicate a strong connection among relationship quality, conflict levels, and the occurrence of nepotism. The findings suggest that social aspects represent a significant factor in ensuring the stability and competitiveness of family businesses in the analyzed sector, contributing to theoretical knowledge and offering practical recommendations for human resource management and strategic development within family businesses in the wood-processing industry.

**Keywords:** family business; wood-processing industry; conflicts; nepotism.

### INTRODUCTION

Family businesses (FBs) are recognized as the dominant and most prevalent organizational form within the structure of economies across the world (Rovelli *et al.*, 2022). They are considered one of the fundamental driving forces of the economy, as they provide stability, direction, and a strong sense of responsible connection between family owners and the business itself (Aguinis *et al.*, 2020). Family businesses are value-oriented, aiming not only for economic profit but also for the well-being of all stakeholders (Astrachan *et al.*, 2020). Particular emphasis is placed on relationships with employees, who are among the key groups influencing the success of family businesses (Santoro, 2021). Qi Wang (2024) defines FBs as entrepreneurial entities that serve as both organic family units and entrepreneurial entities. They are not only economic organizations of family members oriented toward profit generation, but also environments in which family traditions, values, and relationships significantly shape how the business is managed. Aguinis *et al.* (2020) defined family businesses as enterprises in which several family members are involved in ownership or managerial roles, with one family member usually playing a key role in the business's management. The importance of family ties and values influencing managerial decisions, resource allocation, and overall business performance must be emphasized (Santoro, 2021). The presence of moral values fundamentally affects decision-making

processes and the ethical norms by which the business is governed. This value-based foundation permeates the functioning of the business, shaping its corporate culture and influencing the behavior of individuals as well as the organization as a whole (Astrachan *et al.*, 2020). The long-term and traditional orientation characteristic of family businesses provides stability; however, in an environment of rapid technological or market changes, such stability may also become an obstacle to flexibility, which must be addressed promptly in a competitive setting (Škare and Soriano, 2021). In recent decades, family businesses have undergone significant institutional, legal, and managerial transformations, while their importance as key economic actors has been steadily increasing worldwide (Ahmed and Uddin, 2024). A major shift in family entrepreneurship in the Slovak Republic occurred in 2022, when a proposal to amend Act No. 112/2018 Coll. on the Social Economy and Social Enterprises was submitted and subsequently adopted, taking effect in July 2023. This amendment led to the legislative definition of family entrepreneurship within the Slovak Republic. According to this definition, a family business is characterized as a commercial company, cooperative, or sole trader, provided that multiple members of a typical family hold legally defined ties to the business. Members of a typical family are considered to include spouses, direct relatives, siblings, persons related up to the fourth degree, and their spouses, while the relationship of family members to the business must meet specific legal conditions (NRSR, 2022). For this research, the legislatively anchored definition described above is applied.

Family businesses face specific challenges associated with the interconnection between family and business environments. This unique combination provides not only stability but also the potential for conflict. Conflicts in family businesses may take the form of disagreements over decisions, work content, as well as personal and emotional disputes among family members or employees (Gavrić, 2021). A conflict is defined as the awareness of interpersonal incompatibilities that involve emotional components, such as tension and disagreement, between participants (Mismetti *et al.*, 2025). In family businesses, two hierarchies coexist: the family hierarchy and the business hierarchy. A family member may hold a high position within the family but a low one within the business, or vice versa. This misalignment creates space for conflicts regarding relative positions and generates tensions that do not typically occur in non-family businesses (Kubíček and Machek, 2022). Conflicts in the workplace increase negative emotions and stress, which are subsequently transferred into family life, leading to tension, a decline in relationship quality, and family conflicts. Due to their specific needs, family businesses must face several challenges: attracting qualified employees, adapting them to a changing environment, and addressing weaknesses in hierarchical structures, where the owner often manages all business processes (Aguinis *et al.*, 2020). In family businesses, participation in discussions about goals and strategies is usually lacking, leading to poor decision-making and conflicts. The dominant leader of a family business often avoids succession planning, seeking to retain decision-making authority and being reluctant to share accumulated know-how. Therefore, one of the most critical organizational changes faced by family businesses is succession and the transfer of leadership to the next generation (Gavrić, 2021). Succession planning is a fundamental and urgent issue in the field of family businesses, with only about 10% of them surviving into the third generation (Bağış *et al.*, 2023). Conflict is not static but evolves through processes that may lead to its escalation, spillover into other areas, or gradual resolution (Mismetti *et al.*, 2025). If a business fails to provide adequate support, employees experiencing workplace conflicts are likely to feel negative emotional tension. Similarly, the behavior of family owners seeking to enhance the positions of other family members may provoke resentment among non-family employees, who perceive unfair treatment and limited opportunities for

career advancement (Bağış *et al.*, 2023). Family businesses that can manage such conflicts effectively are more likely to survive the process of transferring leadership to the next generation, as avoiding conflicts often leads to stagnation within the business and hinders the development of new strategies, future planning, business growth, and employee career progression (Gavrić, 2021).

Factors that may reduce autocratic business performance include conservatism, weak strategic planning, nepotism (favoring family members who may not be sufficiently qualified), founder autocratic leadership, unclear division of roles, and rivalry among family members, particularly among siblings (Moresová *et al.*, 2021). According to Noisette (2024), employing family members is a common way to share business resources and know-how within the family. Yet it may simultaneously harm the business by selecting unproductive family members and demotivating non-family employees—a negative aspect known as nepotism. Although the involvement of family members in the business may support the company's tradition and values, nepotism can also generate feelings of injustice among employees who are not part of the family (Shatila *et al.*, 2024). Shatila *et al.* (2024) state that nepotism increases turnover intentions and reduces job satisfaction and trust in the business among non-family employees. Fries *et al.* (2021) note that an essential balancing factor is the participation of non-family members in the management of family businesses, as they can actively participate in selecting new employees. Despite these negative aspects, the legal regulation of nepotism remains limited. The reason is that such prohibitions could lead to discrimination, as they would also restrict the employment of qualified family members (Ignatowski *et al.*, 2021).

Social stability in family businesses results from a systemic interaction among relationship quality, conflicts, and workplace fairness. Family businesses function as complex social systems in which the quality of relationships influences the emergence of disputes and the manner in which decisions are made across both the family and the enterprise. The level of trust, communication, and fair leadership fundamentally shapes social stability, the degree of tension, and the effectiveness of management (Clauß *et al.*, 2022). Zhang *et al.* (2025) emphasize that family values, fairness, and equitable decision-making represent the main elements of social stability. Family businesses function as an interconnected system in which changes in one area are immediately reflected in behaviours across others. This means that relationships, conflicts, and social processes need to be examined within an integrated concept rather than in isolation. This systemic framework, therefore, provides an adequate theoretical basis for the concept of social stability, which can subsequently be tested through empirical analyses.

The wood-processing industry (WPI) forms an integral part of the forestry–wood complex and represents one of the main pillars of bioeconomy development. Its primary function is to transform inputs (raw wood) into outputs (a wide range of value-added products) (Lorincová, 2024). According to Tao *et al.* (2024), wood is characterized by its biodegradability, renewability, recyclability, and economic efficiency, which fundamentally distinguish it from traditional industrial materials such as steel or plastic. These properties make wood an ecologically and economically significant resource that can replace energy-intensive materials, thereby contributing to a sustainable economy. In the Slovak Republic, the forestry sector is an important employer, with approximately 70,000 people employed in this industry (Kolesárová *et al.*, 2021). Supporting the development of the wood-processing industry contributes not only to economic stability but also to improving environmental quality (Gejdoš *et al.*, 2023); however, within the framework of strategic management in the Slovak Republic, a comprehensive and systematically developed strategy focused on the development of the wood-processing industry is still lacking, resulting in the sector's

potential not being fully utilized (Moravčík *et al.*, 2021). The concentration of businesses within the wood-processing industry creates favorable conditions for labor market development, more efficient use of inputs, and more intensive knowledge and technology transfer. These factors significantly support the overall growth of the sector (Tao *et al.*, 2024). Zhang *et al.* (2024) state that the wood-processing industry is currently undergoing a process of profound transformation. This development is determined by the implementation of modern technologies and the intensive digitalization of production processes, which fundamentally reshape its strategic orientation within the context of the contemporary economy (Sedliačiková *et al.*, 2023). According to Lorincová (2024), the global demand for wood products opens new development opportunities but simultaneously imposes high demands on the responsible use of raw materials. Therefore, achieving a balance between economic and environmental factors is an essential condition for the long-term, stable development of the entire sector.

The main scientific aim of this study is to define the quality of relationships between family members and employees in family businesses operating in the Slovak wood-processing industry, which significantly influence the level of cooperation and the organizational climate in these businesses.

## MATERIALS AND METHODS

The methodological framework of the paper was designed to ensure a clear structure, logical coherence, and the ability to achieve the stated scientific objective systematically. The research process was divided into three interrelated stages. The first stage was focused on the theoretical analysis of family business issues with a specific emphasis on conflicts, their resolution, and manifestations of nepotism in the context of family businesses, including the focus on the wood-processing industry. For the research, an extensive analysis of secondary sources was conducted. Various scientific methods were applied in processing the information, particularly description, comparison, analogy, summarization, and synthesis of findings. Based on the identified aspects of family entrepreneurship, business conflicts, nepotism, and the quality of relationships influencing business activities in the wood-processing industry among family businesses in the Slovak Republic, the following hypotheses were formulated:

*H1: It was assumed that in the majority of family businesses operating within the Slovak wood-processing industry, positive relationships prevail between family members and their employees.*

Family businesses are characterized by high levels of trust, loyalty, and mutual support among family members and employees, which contribute to more stable and harmonious workplace relationships (Danes and Brewton, 2012). Emphasis on long-term objectives, personal bonds, and generational continuity creates positive social capital, mitigating conflicts and strengthening an organizational culture based on cooperation and trust (Memili *et al.*, 2015).

*H2: It was assumed that the frequency of conflicts between employees and family members in family businesses operating within the Slovak wood-processing industry is minor.*

A strong emphasis on trust, mutual respect, and long-term interpersonal relationships prevails in family businesses, contributing to reduced workplace conflict. Due to a high level of social capital and the family's long-term orientation, a culture of trust and mutual loyalty is built within family businesses, which decreases the likelihood of frequent open conflicts

between employees and family members (Rosecká, 2022). Family governance systems and effective internal communication within family businesses serve as tools to prevent the escalation of internal disputes (Pieper, 2010).

*H<sub>3</sub>: It was assumed that the majority of family businesses operating within the Slovak wood-processing industry avoid nepotism in the recruitment and promotion of employees.*

Transparent personnel decision-making and the professionalization of management in family businesses are increasingly perceived as key factors of long-term stability and reputation (Calabrò *et al.*, 2019). Modern family businesses strive to maintain a balance between family ties and professional competence, thereby minimizing the risk of favoring relatives over qualified candidates. Moreover, the implementation of formal governance rules and transparent human resource processes helps limit manifestations of nepotism (Berent-Braun *et al.*, 2021).

Before launching the primary survey, a pretest of the questionnaire was conducted in January 2025 to verify its clarity, content relevance, and technical functionality. The pretest was administered via Google Forms, and respondents were selected at random using a random number generator. A total of 21 respondents participated, and their feedback enabled the refinement and clarification of several items, thereby increasing the validity and reliability of the final research instrument. The second stage of the research was then focused on obtaining current empirical data directly from Slovak wood-processing family businesses. The final version of the structured questionnaire was distributed to these enterprises via the Google Forms online platform from 3 February 2025 to 9 May 2025. The selected approach enabled reaching a larger number of respondents across different regions of the Slovak Republic while ensuring anonymity, which is essential for obtaining honest responses on sensitive topics such as conflicts and nepotism. The questions were designed to provide participants with multiple response options. The questionnaire was divided into two thematic sections: the first contained classification questions aimed at identifying the business's basic characteristics, while the second included questions about relationships between family members and employees, as well as perceptions of nepotism. According to the FinStat portal (2024), at the time of the survey, 5,316 companies were operating in the wood-processing industry in Slovakia. A total of 4,571 businesses were contacted as part of the research. In the initial phase of data evaluation, a data matrix was created in Microsoft Excel, serving as the basis for obtaining summary outputs. Before testing the formulated hypotheses, it was necessary to verify compliance with the minimum sample size (*n*) requirement, which is a key prerequisite for generalizing the obtained results to the entire population of the wood-processing industry. The calculation of the minimum number of observations was carried out with an acceptable error level of 5 % (*e* = 0.05), a confidence level of 95 % (*z* = 1.96), a known population size (*N* = 5,116), and a parameter *p* = 0.5, according to the methodology presented by Faeron (2017). The value was determined using the following formula:

$$n \geq \frac{p \times (1 - p)}{\frac{e^2}{z^2} + \frac{p \times (1 - p)}{N}} \quad (1)$$

The next step involved the verification of the formulated hypotheses. The data obtained from the questionnaire survey were subjected to mathematical and statistical processing using the software Statistica 14. Hypotheses *H*<sub>1</sub>, *H*<sub>2</sub>, and *H*<sub>3</sub> were verified through a one-tailed hypothesis test of relative frequency using the following test criterion (Pacáková, 2009):

$$u = \frac{f - \varphi_0}{\sqrt{\frac{f(1-f)}{n}}} \quad (2)$$

The test was used to verify the hypothesis concerning the equality of the population proportion with a specified constant (50 % under the conditions of the formulated hypotheses). The null hypothesis stated that the population proportion equals the specified constant. In contrast, the alternative hypothesis stated the opposite, namely that the proportion differs and is either greater or smaller than the given constant. The validity of the hypotheses was tested at a significance level ( $\alpha$ ) of 5 %, meaning that the results were considered reliable at the 95 % confidence level. The acceptance or rejection of the null hypothesis was determined based on the 5 % quantile of the standardized normal distribution, with the decisive factor being the p-value (p-level), which depends on the selected significance level (Pacáková, 2009).

After processing and analyzing the data, the hypotheses were evaluated numerically, graphically, and descriptively. The methods of analogy, summarization, comparison, description, and logical–systematic reasoning were applied, along with a systems approach that enabled the comprehensive quantification of relationships and the dynamics of conflicts in family businesses. As part of the hypothesis verification, the mathematical–statistical indicator, the mode, was also utilized. The mode, also referred to as the modal or most probable value, is the value of a variable in a statistical dataset that occurs with the highest relative frequency. In processing questionnaire data, the mode was determined from a frequency table that summarized the distribution of respondents' answers. This value indicates the most typical response within the analyzed variable and enables a better understanding of the preferences or opinions of respondents within the examined dataset (Hindl *et al.*, 2012).

The final stage focused on synthesizing findings and formulating recommendations for practice and future research. The methods of deduction, analogy, and summarization were applied. The chosen approach provided a basis for proposing strategic directions for further study of conflicts in family businesses and the impact of nepotism in the wood-processing industry in the Slovak Republic.

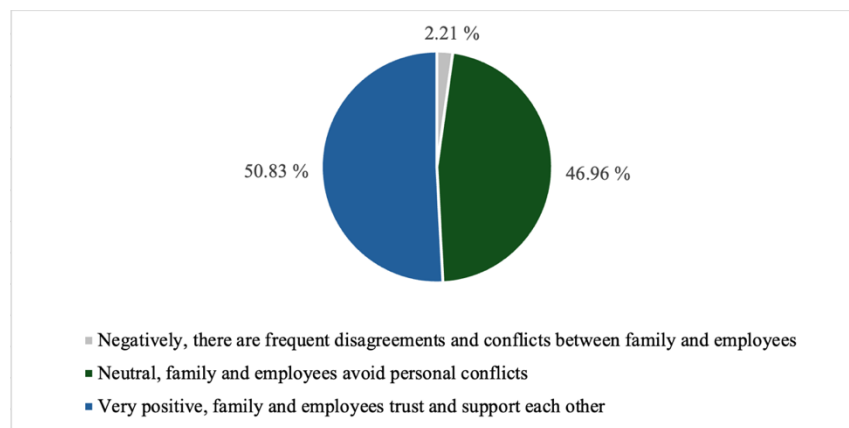
## RESULTS AND DISCUSSION

The introductory section of the questionnaire focused on identifying the research sample. Based on the calculations, a minimum of 358 respondents (FBs) was required to ensure statistical significance. In the research, a total of 4,571 respondents were contacted, and 479 businesses completed the questionnaire, of which 362 were family businesses. This represents a response rate of 10.48 %. The obtained data confirmed that the questionnaire return rate exceeded the minimum requirement for the sample size, thereby ensuring representativeness for the population of family businesses operating within the Slovak wood-processing industry. Table 1 presents the basic characteristics of the family businesses in the wood-processing sector that participated in the survey ( $n = 362$ ), categorized by company size, legal form, and duration of market operation. The summary of these data represents the initial step of the research, as it provides a more precise overview of the composition of the research sample.

**Tab. 1 Basic identification of FBs.**

Questions	Answers				
	Owner 44.20 %	Manager 27.90 %	Employee 25.97 %	Other 1.93 %	
<b>Enterprise size</b>	1 – 9 employees (micro enterprise) 41.44 %	10 – 49 employees (small enterprise) 40.88 %	50 – 249 employees (medium-sized enterprise) 14.09 %	250 or more employees (large enterprise) 3.59 %	
<b>Enterprise legal form</b>	Self-employment 11.05 %	Ltd. 80.66 %	Join Stock 6.35 %	Cooperative 1.66 %	General Partnership 0.28 %
<b>Enterprise active state</b>	< 1 year 1.66 %	1 – 5 years 13.81 %	6 – 10 years 20.72 %	11 – 20 years 29.56 %	21 years > 34.25 %

The central part of the study focused on evaluating responses from the questionnaire survey, which concentrated on relationships, conflicts, and nepotism, and their occurrence in business practices within family businesses operating in the wood-processing industry. For the presented research, the key responses were related to the following three questions: **Question 1:** How would you describe the relationships between family members and employees in your business?

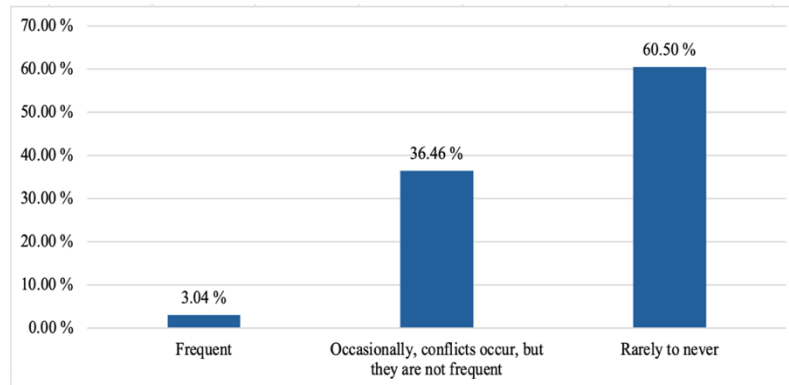


**Fig. 1 Relationships between family members and employees.**

In the analysis of responses to Question 1 (Figure 1), the majority of respondents (50.83%; 184 FBs) perceive the relationships between family members and employees in their enterprises as positive, indicating an excellent level of stability in workplace relationships. Almost the same proportion of respondents (46.96%; 170 FBs) described these relationships as neutral, suggesting a more pragmatic rather than emotionally supportive character of cooperation. Only a small group of respondents (2.21%; FBs) evaluated these relationships negatively, suggesting that conflicts or tensions between family members and employees occur only rarely within the examined sample. For the statistical verification of Hypothesis H1, a hypothesis test of relative frequency was performed. The hypothesis was set at a 50% level of significance. Based on the resulting p-level value ( $p = 0.000$ ), which was lower than the significance level  $\alpha$  ( $\alpha = 0.05$ ), Hypothesis *H1* was accepted. This indicates that in the majority of family businesses operating within the Slovak wood-processing industry, positive relationships prevail between family members and their employees. The stated result can be confirmed with a 95 % confidence level. The mode of responses reached a value of 3, which further confirms the predominance of highly positive

perceptions of relationships and the existence of a stable and trust-based working environment in most Slovak family businesses in the wood-processing industry.

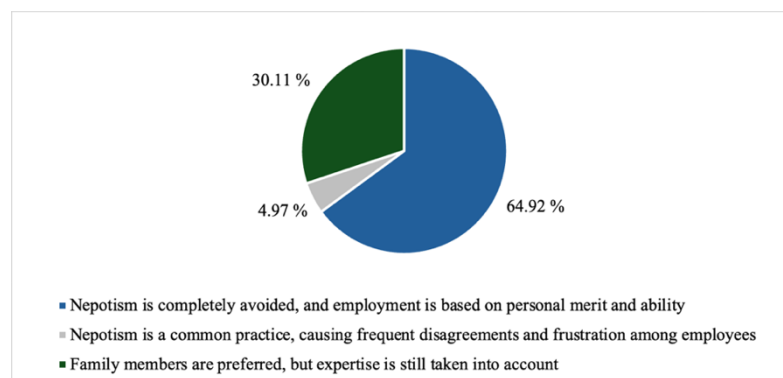
**Question 2:** How often do conflicts occur between employees and family members in your business?



**Fig. 2 Frequency of conflicts between employees and family members.**

From Figure 2, it can be observed that the majority of respondents (60.50 %; 219 FBs) stated that conflicts between employees and family members occur rarely or never in their enterprises. Occasional conflicts were reported by 36.46 % (132 FBs), while only a small portion of respondents (3.04 %; 11 FBs) indicated that conflicts occur frequently. These results point to a relatively stable and cooperative atmosphere in most family businesses, where efforts to prevent tension are supported by open communication and a clear division of responsibilities. For the statistical verification of Hypothesis H2, a one-tailed hypothesis test of relative frequency was applied, with the proportion value set at 50 %. The resulting p-value ( $p = 0.000$ ) was lower than the selected significance level  $\alpha = 0.05$ , *confirming the acceptance of Hypothesis H2*. Based on these results, it can be stated with 95% confidence that the frequency of conflicts between employees and family members in family businesses operating in the Slovak wood-processing industry is low. The mode of responses reached 3, thereby confirming that family businesses in the Slovak wood-processing industry experience minimal conflicts, while a harmonious working environment characterized by trust and mutual respect between family and non-family employees predominates.

**Question 3:** Do conflicts related to nepotism occur in your business during recruitment and promotion processes?

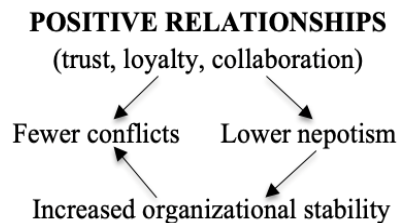


**Figure 3: Nepotism in family businesses.**



Based on the analysis of the results (Figure 3), the majority of respondents (64.92%; 235 FBs) stated that they avoid nepotism in recruitment and promotion within their enterprises entirely. A significant portion (30.11 %; 109 FBs) expressed only a partial preference for family members, while still considering professional qualifications, and only a small percentage (4.97 %; 18 FBs) reported that nepotism is a common practice. For the statistical verification of Hypothesis H3, a hypothesis test of relative frequency was also performed. Based on the resulting p-level value ( $p = 0.000$ ), which was lower than the significance level  $\alpha$  ( $\alpha = 0.05$ ), Hypothesis *H3* was *confirmed*. This indicates that the majority of family businesses in the Slovak wood-processing industry avoid nepotism in employee recruitment and promotion. The mode of responses reached 1, indicating the predominance of family businesses that use transparent, merit-based human resource management mechanisms, thereby effectively eliminating the risk of interpersonal conflicts arising from nepotism.

The synthesis of the empirical results revealed a strong interconnection among the three key areas of examination: the quality of relationships, the frequency of conflicts, and the degree of nepotism occurrence (Figure 4).



**Fig. 4 Concept of social stability in family businesses.**

The results, schematically illustrated in Figure 4, confirmed that positive relationships between family members and employees constitute a decisive stabilizing element of the internal corporate culture. Trust, loyalty, and cooperation form the foundation that significantly reduces conflicts and minimizes the risk of nepotism. A low level of disputes subsequently contributes to a harmonious working environment that promotes transparent and fair human resource management. Nepotism, understood as the favoritism of family members regardless of their qualifications, appears in the context of the examined enterprises as a factor disrupting organizational balance. The mutual interaction among positive relationships, low conflict, and the absence of nepotism creates a mechanism that enhances organizational performance and generational continuity in family businesses.

From a scientific perspective, the responses to Question 1 are consistent with the findings of Santoro (2021) and Aguinis *et al.* (2020), who emphasize that family businesses tend to be more value-oriented and to demonstrate a higher level of responsibility toward their employees. Family ties may foster loyalty and trust, which are essential for team stability and the long-term performance of the enterprise (Leppäaho and Ritala, 2022). In family businesses operating in the wood-processing industry, interpersonal relationships often have a long-term, personal character, as these enterprises operate in an environment characterized by stability and cooperation. The wood-processing industry, as a sector, is characterized by a close connection between people and the production process, from craftsmanship to production management, which naturally strengthens the sense of belonging and responsibility toward the enterprise. Therefore, *Hypothesis H1* was *accepted and confirmed*. This context may explain why the majority of respondents perceive the relationships between family members and employees as positive and without significant tension. Positive relationships represent an important prerequisite for preventing conflicts

and fostering cooperation between family and non-family employees. For family businesses, it is therefore essential to systematically develop a corporate culture based on transparent communication, fairness, and a clear division of competencies to prevent future conflicts. The research findings revealed that in most family businesses in the Slovak Republic, cooperation between family and non-family employees is relatively stable and free from significant tension. *Hypothesis H2 was confirmed*, and this result aligns with the findings of Gavrić (2021) and Mismetti *et al.* (2025), who found that effectively managed family businesses can prevent the escalation of conflicts through clear task allocation and open communication. It should be emphasized that more than one-third of respondents admitted the occasional occurrence of conflicts, which may indicate the existence of tensions that could, under certain circumstances, intensify. The rare occurrence of conflicts in family businesses in the wood-processing industry can be interpreted as a manifestation of a functional corporate culture that combines personal relationships with a professional approach to management. According to Sedliačiková *et al.* (2023), the implementation of modern managerial practices in the wood-processing industry contributes to improved communication and reduced tensions between family and non-family employees. Family businesses must not approach these occasional conflicts passively; instead, they should introduce mechanisms for their timely resolution. These include clearly defined communication rules, transparent work processes, and, where appropriate, the involvement of independent experts in conflict resolution. Conflicts, if left unaddressed, may over time escalate into emotional strain, reduce productivity, and negatively affect the employees involved. Effective conflict management can contribute to more harmonious relationships, long-term stability, and improved competitiveness of family businesses. The research confirmed the validity of *Hypothesis H3*, indicating a relatively high level of professionalization among Slovak family businesses, as the majority strive to maintain fairness and consider professional competence when making personnel decisions. The results obtained are consistent with the recommendations of Ignatowski *et al.* (2021), who argue that employing professional managers from outside the family is an appropriate solution when the family lacks sufficiently qualified members. Family businesses in the wood-processing industry often operate in smaller teams, where work quality and reliability are crucial to the continuity of production; therefore, employee selection is more often based on practical experience than on family ties. It can be concluded that, under the conditions in the Slovak Republic, a professional approach to human resource management prevails in family businesses in the wood-processing industry. The fact that approximately one-third of respondents reported some form of preferential treatment toward family members indicates the persistent presence of family ties in key personnel decisions. According to Shatila *et al.* (2024) and Chen *et al.* (2020), even partial nepotism may negatively influence perceptions of fairness among non-family employees, reduce their motivation and loyalty, and, consequently, lead to higher dissatisfaction and turnover. Moresová *et al.* (2021) and Fries *et al.* (2021) also emphasize that autocratic management and favoritism toward family members may undermine strategic planning and long-term business performance. Family businesses that strive to avoid nepotism or at least link it to professional competence have the potential to build fair enterprises and maintain employee loyalty.

## CONCLUSION

Family businesses represent a key structural component of modern market economies, and their importance extends beyond individual sectors. In an era of increasing emphasis on

sustainability, they play a crucial role in balancing economic objectives, generational continuity, and social responsibility. Properly designed strategic management, based on planning, innovation, and flexibility, enables family businesses to contribute to sustainable development over the long term. Given that the research was conducted within the wood-processing industry, its specific characteristics must be taken into account, namely technological complexity, reliance on renewable resources, and strong alignment with sustainability principles. The wood-processing industry holds strategic importance for the Slovak economy, as it utilizes a renewable material – wood, which can be regarded as the material of the future. Due to its renewability, ecological nature, and low carbon footprint, wood serves as a foundation for long-term sustainable development and the strengthening of the Slovak Republic's competitiveness within the green economy. The aim of the study was to analyze the quality of relationships between family members and employees in family-owned wood-processing businesses, identify the frequency of conflicts, and reveal specific factors, such as nepotism, that significantly influence cooperation and the organizational climate in family businesses.

For the statistical verification of Hypotheses H1, H2, and H3, a one-tailed hypothesis test of relative frequency was performed. The results of the research confirm that family businesses operating in the Slovak wood-processing industry are characterized by a high level of social stability, stemming from the quality of interpersonal relationships, trust, and loyalty among family members and employees. The majority of respondents perceive the internal business environment as positive and harmonious, thereby confirming Hypothesis H1. The stability of interpersonal relationships is also reflected in the low frequency of conflicts, which occur only sporadically in most enterprises. Thus, Hypothesis H2 was confirmed, indicating that conflicts are rare and that family businesses employ preventive mechanisms grounded in communication, trust, and a clear division of competencies. The third hypothesis (H3) confirmed that the majority of the examined family businesses avoid nepotism in employee recruitment and promotion, emphasizing professional competence and fair treatment. Nevertheless, in some cases, a partial preference for family members was observed, indicating the persistent influence of family ties in personnel decision-making. The interconnection of all three examined factors, relationships, conflicts, and nepotism, creates a comprehensive picture of the social system of family businesses, functioning as a dynamic balance between personal relationships and professional management. It was confirmed that positive relationships directly contribute to reducing conflicts, while fair personnel decisions decrease the risk of tension and promote long-term stability. These findings confirm that social capital represents an essential source of competitive advantage for family businesses in the wood-processing industry. From a practical perspective, it is recommended to strengthen professional management, transparent HR processes, and internal communication, all of which help maintain a balance between the family and business environments. FBs that successfully combine family values with modern management principles achieve a higher degree of resilience, adaptability, and generational continuity.

The main limitation of the conducted research is the relatively low response rate to the questionnaires, which, despite meeting the minimum required sample size, may affect the accuracy and representativeness of the findings. Given the voluntary participation of respondents, there is a potential risk of selection bias, as enterprises with a higher interest in development, stability, and professional management may have been more likely to participate, resulting in their overrepresentation in the final sample. For this reason, the results should be interpreted with some caution when generalized to the entire population of Slovak family businesses in the wood-processing industry.

Future research should focus on deepening the understanding of specific forms of conflicts and their resolution within FBs in the wood-processing industry, as well as on a more detailed examination of succession in the context of business stability. It is also desirable to expand the research by incorporating qualitative methods to deepen the understanding of behavioral motives and the value orientation of family businesses. The wood-processing industry has significant development potential, with family businesses playing a crucial role in implementing sustainable development principles.

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