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Study: family-controlled companies more socially responsible

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Do family-controlled public companies behave differently than other publicly owned businesses? A new BYU Marriott School of Management study shows more socially responsible initiatives in public companies where the founder, or a family member of the founder, still influences management.

Researchers analyzed data from 700 companies listed among the S&P 500 between 1991 and 2005. Using complex statistical analysis, they found that family-run companies are more likely than their counterparts to get involved in socially responsible activities because they see their stakeholders as partners.

The study is published in the *Journal of* Business *Ethics*.

"What we find is that family firms are often more aware of issues surrounding their stakeholders because the founder has established a personal relationship with customers, or with a distributer, or a supplier, in addition to shareholders," said lead author John Bingham, associate professor of organizational leadership and strategy. "There are things about managing stakeholders and their variety of demands that non-family businesses can learn from family businesses."

Family businesses tend to participate in more social initiatives that take care of their employees and the community. For example, Marriott International is run by J.W. Marriott Jr., son of the founder. In a recent message to the community, the first thing he talked about was his parents' direction that the key to business success was taking care of employees. Marriott cited this as the guide for their continued dedication to relief efforts after Hurricane Katrina. Marriott has 2,800 associates who were impacted by the storm. They established a disaster relief fund to help meet employees' needs and support restoration efforts for the community.

Coauthor Gibb Dyer, professor of organizational leadership and strategy, points out that stakeholder relationships can sometimes be a matter of personal pride, especially when the family name is involved.

"These family businesses take it personally," said Dyer, who has received multiple awards for his research on family-owned businesses. "The name of the family is directly connected with the business so if the business does something to hurt the community or damage the environment, it tends to reflect badly on the family."

It is no surprise then that in Fortune'slatest list of top companies to work for, eight of the top ten were family-run businesses. These businesses tend to act with a more long-term outlook toward their stakeholders.

Some may question whether it would be beneficial for non-family businesses to apply the same outlook towards corporate social responsibility. Bingham points out that doing good by stakeholders can mean better business results.

"Good business practices and reasonable corporate social responsibility initiatives can go hand in hand," Bingham said. "These are not necessarily mutually exclusive initiatives."

But Dyer says this keen sense of stakeholder relations doesn't come easily.

“Non-family businesses will never have the sense of ownership because their name isn’t on the building,” Dyer said. “It is something that can’t be replicated easily, so it does give family firms a certain competitive advantage.”

To differentiate between family and non-family influenced businesses, the researchers depended heavily on both Bloomberg BusinessWeek and Family Business Magazine surveys. Those surveys looked at several criteria, including whether founding family members remained as significant company shareholders, were still in senior management, or held seats on boards of directors.

The companies’ social performance was categorized into five areas: community, employee relations, product, diversity and human rights. With data from a firm that studies sustainability research, Bingham and the other researchers looked at how each of the companies approached initiatives and concerns in these five areas. For communities, an example of an initiative would be volunteer or charitable giving; a concern would be tax disputes. For employee relations, an initiative would be retirement benefits and a concern would be workforce reductions.

Bingham and Dyer are joined as coauthors by Isaac Smith, a PhD student in business management at the University of Utah and Gregory Adams, director of research for the Marriott School’s Department of Finance.

More information: www.springer.com/social+scienc … ethics/journal/10551

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