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Companies owned by families are better at looking after their staff but not the environment

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Companies part or wholly owned by a family are better at looking after their staff than other firms, new research shows.

But most family firms were no better than other firms for external measures such as adhering to business ethics and lowering carbon emissions, the British Academy of Management online annual conference heard today [Tuesday 31 August 2021].

Researchers from the University of Salamanca in Spain analyzed data on 423 companies in 21 European countries, including the UK, to see how family-run and family-owned businesses compared with other firms. Around 18% of the companies were family-owned.

They examined data from 2008–2017 on how highly firms scored for their "internal corporate social responsibility," which includes measures of job satisfaction, safety and diversity, and their "external CSR," which includes lowering carbon emissions and adhering to business ethics.

The researchers, María del Pilar Rivera-Franco, Dr. Ignacio Requejo and Dr. Isabel Suárez-González, adjusted the data to study firms of similar size, age and financial performance so that the effect of being family-run and owned could be studied in isolation. They defined family firms as those with a shareholder with a larger than 25% stake.

They found that overall family firms were better at corporate social responsibility measures because they took better care of their employees. But they were not different to non-family firms in their behavior outside of the company toward the environment and the wider community.

However, the researchers found that in a minority of cases, where a family member sat on the board of directors, the behavior toward their staff and to the outside world was better than non-family firms.

"The results confirm the better corporate social responsibility performance of family firms at an aggregate level, which is driven by the greater care that they take for their staff," María del Pilar Rivera-Franco told the conference.

"Interestingly, when the family is also involved in the board, their social and environmental activity increases, which implies that they care more about the interests of the external stakeholders.

"The more responsible behavior of family firms can be partly attributed to the higher exposure of the family identity. The visibility of the family name becomes a strong incentive to avoid CSR-related problems."

She also said that there had been little previous research in this area. "Considering that family businesses are the most common type of ownership around the world, accounting for around 60% of employment and 40% of GDP in Europe, it is important to understand their role in the adoption of responsible practices.

"Scant research has focused on the effect of family ownership on CSR—the influence of family ownership on CSR has received much less attention than its effect on financial performance."

Provided by British Academy of Management

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