Does family matter in business? Study evaluates family ownership on firms' environmental strategies

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Family ownership of businesses has a positive effect on corporate environmental performance, particularly if the business bears the family name, according to new research from the University of Surrey.

Researchers from Surrey Business School have examined the impact of family ownership on the likelihood of firms adopting the International Organization for Standardizations' ISO 14001 criteria—a recognized and respected framework used by organizations to measure their environmental impact.

Professor Tazeeb Rajwani, co-author of the study and Head of the Department of Strategy and International Business at the University of Surrey, said, "The aim of every business is to generate shareholder value, and this is no different for family-owned businesses. However, within a family business, the economic motive and the family are inextricably linked. We have found that one of the immediate objectives of the firm is to pursue initiatives that better their local community and environment.

"The desire to preserve socioemotional wealth and the firm's own survival through generations drives family-owned firms to pursue legitimacy by conforming to institutional expectations, such as the ISO 14001 criteria."

The study also determined that the effect is stronger for firms whose names include the family name and for companies located closer to large cities. Researchers found that the family name is an important symbolic characteristic that contributes to family members' identification with society.

Professor Tazeeb Rajwani continued, "Investors, whose interest is profit maximization, should be aware of the influence of non-financial objectives on strategic decisions in family firms. Additionally, managers who are not family members of family-owned firms need to understand the existence of and recognize the potential influence of the family's motives.

"Family members with controlling stakes in the firm may push strategic decisions that resonate with their socioemotional aspirations but are not directly associated with profitability. It is important for these managers to be aware of and understand family members' personal imperatives that may affect the firms' operations and performance."

Aside from investors and managerial positions within family-owned firms, these findings also have important implications for environmentally concerned stakeholders, including the firms' own consumers and suppliers.

The study was published in *Long Range Planning*.

More information: Abubakr Saeed et al, Does family matter? Ownership, motives and firms' environmental strategy, *Long Range Planning* (2022). DOI: 10.1016/j.lrp.2022.102216

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