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Corporate Social Responsibility and Family Business: Current Debates and Future Prospects

Abstract: This paper aims at examining the main perspectives on corporate social responsibility (CSR) in family firms discussed in international literature. The topic of CSR has grown exponentially in the last two decades in both, business practice and as an area of interest among academics and researchers. Most studies focus on multinational corporations, some on small and medium enterprises (SMEs) and the smallest number on family business (FB). This study addresses the heterogeneity of family firms engagement with corporate social responsibility (CSR), using a variety of dimensions of this approach and highlighting those most specific for family firms versus non-family business (NFB). The particular emphasis is placed on the CSR and family firms relation with stakeholders and CSR and family business strategy and performance. Additionally, this paper outlines possible research directions in the given field.
Key words: corporate social responsibility, family business, stakeholders, business performance.

Introduction

The last twenty years are marked by increased globalization generating opportunities and threats not only for large multinational corporations, but also small and medium companies, including family businesses of different size and scale of operations. In this turbulent time, Corporate Social Responsibility [CSR] has emerged as a powerful marketing tool and a source of competitive advantage for companies which are aware of the new paradigm of the sustainable development [Porter & Kramer, 2006]. However, the degree of interest in CSR is certainly not the same in all business entities [Martinet & Reynaud, 2004]. In fact, it oscillates between the lack of interest in this approach, represented mostly by small and medium enterprises [SMEs] and very proactive actions and strategies developed by the firm management in case of multinational corporations [MNCs]. Regarding family business [FB], many scholars claim that family firms are different from non-family businesses with the regards to CSR [Uhlaner et. al. 2004, Quairel-Lanoizelée 2012]. Some studies suggest that family firms are more oriented towards CSR [Dyer, Whetten 2006] while others conclude that family businesses are unlikely to practice CSR [Morck Yeung 2004]. Family businesses are certainly a heterogeneous group in terms of the extent and mode of family involvement, size of the firms and they also have diverse orientation towards CSR. [Déniz-Déniz, Cabrera-Suárez 2005]. Since in these firms the family influences behaviour at the individual, group and organisational level [Dyer 2003], FBs have been associated with both, positive and negative features in their relationship with their stakeholders. On the one hand, family business characterized by nepotism prioritizes the interest of family before the business, does not focus on the business outcomes, and as an effect can display market adaptation problems, problems with preparation for and succession itself. On the other hand, FBs may provide high quality products, guarantee protection for all employees, care for the community and family which in turn involves benefits for the community and company [Déniz-Dénis, Cabrera-Suárez 2005].

Convinced that the family companies deserve particular attention as their approach to the CSR appears to differ from that of non-family firms, we decided to bring together the main body of the research developed around this very interesting topic. We provide an overview of over 60 papers published in this field. The goal of this approach is not to develop new theory, we are rather interested in highlighting the “hottest” research topics, identifying existing contradictions and gaps for the better further understanding of this complex issue. This paper also aims at determining the possible research directions in the given field.

Methodology

This research is founded on the theoretical and empirical evidence from over 60 papers published within the last thirteen years [2000-2016] in various journals worldwide. The key words used for the research in the most popular research databases, namely EBSCO, JSTOR and ECONLIT were: CSR and family business. The number of identified records for each of the collections was slightly higher than the selected set of papers but those are the results of the in-depth analysis of their content. Composed this way, the collection of 60 international studies was divided into some main thematic groups, allowing the author to discuss the main conclusions, disagreements and research gaps, namely: family business versus non-family business within CSR approach (as a frame for further debate), CSR and family business strategy and performance, CSR in family business relations with stakeholders.

Family business versus non-family business within CSR approach

The most important number of studies, using both empirical and theoretical research methods, examined the differences between family firms and non-family businesses with regards to CSR. The common thesis for this collection of papers argues about the existing differences between the two populations of firms that may affect their socially responsible commitment. Some scholars have suggested that family firms are not likely to act in a socially responsible manner, while others have indicated that socially responsible behaviour on the part of the family firm protects the family's assets. Family businesses have certain characteristics that make them different from non-family ones in terms of objectives, organizational structure, culture and strategic behaviour [Chrisman, Chua, Sharma 2005, Zellweger, Eddleston, Kellermans 2010, López-Cózar, Priede, Benito 2013].

The prevailing assumption is that FB ownership structure, due to a presumed long term relationship, embedded community orientation and shared vision, would be naturally ethical and socially responsible. Family business may have unique perspectives of socially responsible behaviour due to family involvement and ties to the community and their commitment to uphold the business. Some researchers argue that the strong roots in the local community have an important impact on their higher interest in socially responsible activities [López-Cózar, Priede, Hilliard 2014]. According to Nzazi and Oth [2015] one of the most important motives is that the public expects the family businesses to take their responsibility towards society, since authorities put certain requirements that companies will have to follow in order to continue to operate. Therefore, FBs are working with CSR because they want to get something back from society in the form of loyalty or market shares. At the same time, some scholars argue that it is unclear to ascertain that family values that could be inherent in the family business by nature pave the way to CSR greater popularity among FB [Zulkifli et al. 2011], while others claim that differences in approaches towards CSR are deeply rooted in the family values [Schulze et al. 2003, Déniz-Déniz, Cabrera-Suárez 2005] and that the beliefs and value systems of entrepreneurs play a fundamental role in shaping a sustainable corporate strategy [Perrini, Minoja 2008]. Marques, Presas and Simon's main finding regarding values is that FBs may have different areas of application or concern: most values are defined at the firm level and concern workplace or the surrounding community [2014].

Graafland et al. [2003a] suggest a positive relationship between company size and CSR efforts. In particular it is found to have a positive impact on the use of several instruments, like code of conduct, ISO certification, social reporting, social handbook and confidential person [Graafland et al. 2003b]. Regarding the social disclosure issue, Campopiano and DeMassis [2015] show that in comparison to non-family firms, FBs disseminate a greater variety of CSR reports, are less compliant with CSR standards and place emphasis on different CSR topics [community and employees oriented].

Usually, small enterprises operate in short term perspective, do not have long-term plans for the future, and want to achieve profits as quickly as possible. This can be different in case of family firms, which we claim, are more long-term oriented [Mignon 2000, Le Breton-Miller, Miller 2006, Starnawska, Popowska 2015]. Family firms very often prioritize non-financial goals that do not follow the traditional business logic. Therefore, they are more inclined to be socially oriented even if this orientation does not generate economic benefits [Berrone, Cruz, Gómez-Mejía 2012].

Long and Matthews [2011] talk about families in family firms characterized as generalized exchange systems [GES] as opposed to restricted exchange system [RES] which are more typical for non-family firms. GES means norms of unilateral and indirect reciprocity. When one party breaks the rules of exchange it is not the problem of the other cheated party but of the whole family. GES indicate high cohesion among individuals in the organization which in case of family business are family members operating in the enterprise, while in RES individuals focus on self-interest, exchange relationships lead to particular achievements and their short term outcome is expected. That may have a strong influence on decision making in the company.

Table 1. Main differences between FBandNFB within CSR approach

Family business [FB]	**Non-family business [NFB]**
strong roots in the local community	weaker connection to the local community
inherent families values [solidarity, loyalty, affectivity]	individual [entrepreneur] values
importance of non-financial goals	strong profit oriented strategy
long-term trans-generational orientation	short or middle-term orientation
generalized exchange systems [GES]	restricted exchange systems [RES]

additional stakeholder: family	traditional group of stakeholders
greater variety social disclosure	social disclosure compliant with CSR standards

Source: own elaboration.

CSR and the family business relation with stakeholders

Discussing the responsibilities of family business towards stakeholders, recent literature uses new concepts of the Proactive Stakeholder Engagement [PSE] and of the Socioemotional Wealth (SEW) [Hirigoyen, Poulain-Rehm 2014, Cennamo et al., 2012]. The PSE is based on the assumption that the family managing a company often prefers non-financial objectives which are not always in line with the economic business logic and allows them to maintain the SEW. Proponents of this concept believe that family business owners engage in social activities, even if it brings no commitment to economic benefits and this is because the family receives some kind of socioemotional gains important for the family. According to this concept, family has to be in permanent, tight control of the firm so as to maintain the SEW and will seek to adopt practices which guarantee this control [Berrone et al. 2012, Caseiro, Napoli 2016]. The family owners perceive their companies as an extension of their ego, and thus, enterprises reflect their fundamental values and are a reflection of the self-assessment of family members. Family values in the company are homogeneous and express themselves in a more affective than the average relationships, solidarity, loyalty and care for the reputation of the company, since it is very often equal to the reputation of the family. Any irresponsible behavior can lead to loss of SEW, resulting in the stigmatization of the family business as an organization socially irresponsible. Some of these family values are considered to be fundamental and deeply rooted in the collective family subconsciousness, and others that are determined by situational or generational factors.

What must be emphasized also is that FBs, in terms of their relation with environment differ from non-family firms in one main aspect: family itself may be considered as a particular stakeholder [Matejun 2011, Bergamaschi, Randerson 2016], therefore, there is no doubt that the scope of FB stakeholders is much broader. Also the future generations of FBs are an important stakeholder, essential to their survival. Treatment of the next generations as stakeholders is included in the aforementioned socioemotional dimension, where their future and interest coexist [Delmas, Gergaud [2014]. Therefore, family firms engage in significantly more positive social initiatives that non-family firms. It seems also like a long-term, wider approach to CSR. This is likely due to family concern about image and reputation and a desire to protect family assets [Dyer, Whetten 2006], but also to FBs capacity to develop a feeling of trust with their partners [Allouche, Amann 1998].

At the same time, some of the researchers stigmatize the family focus on the family members leading to the nepotism and injustice in the recruitment and assessment of the job performance. In a small organization, employees are often hired from internal referrals rather than formal job postings. Some companies encourage referrals of family members and friends to open positions. Often, well-meaning owners or operators hire underqualified, unmotivated family members who sometimes undermine the workplace culture and increase the burden on other staff. In this case the group of internal FB stakeholders-employees is not treated equally.

Finally, according to the findings, the more a family is involved in the business, the more a family firm will take stakeholders into account when making decisions that have socially responsible implications [Binghamet al., 2011; Van Gils et al. 2014].

Summing up, we consider that despite existing research evidence shortly presented above, some contradictions still exist and deserve further investigation, namely: *is there a real impact of family business social engagement on the relation non-family employees?; is there any perceived reputation and image gain of socially responsible family firms?; what is the real link between the family ownership and the community-related CSR performance?; what exactly are the social disclosure differences between FB and NFB, claimed but some of the authors?*

Why are these questions important and what could be the scientific approach aiming at addressing these issues? Certainly, there is a need to enrich but also structure our knowledge of FB social engagement toward various groups of stakeholders. The picture which emerges today from the literature study is incomplete, often opaque and biased. It the near future, it would be necessary to carry out a number of transnational qualitative researches with carefully selected methodology.

CSR and family business strategy and performance

Another important collection of studies is examining the relationship between CSR and potential business benefits in terms of strategy relevance and financial performance. Some researchers claim a positive influence of the CSR orientation on the financial performance [Elbaz, Laguir, 2014, Campbell, Park 2016], when others deny existence of such link [Madorran, Garcia 2016]. According to Perrini [2008], the importance of the relationship between social performance and financial performance depends to some extent on the kind of competitive strategy that a company has selected. Taking the financial performance, there is a lot of contrasting studies: some of them conclude that the relationship between the social and financial performance may be varied according to the industry which it involved [Hewage, Wijesundara, Rasika 2016], while other report the absence of such correlation [Elbaz, Laguir 2014].

In the discussion of factors having impact on FB management and its performance, it is important to draw the attention to the concept of "familiness", as a sort of the regular interaction between family, business and individual family members, based on the resources and capabilities that are unique [Pearson et al. 2008]. The familiness may be the source of competitive advantage, leading directly to family wealth and value generation. It seems that this mission of family firms goes beyond profit making and encompasses social mission – i.e. thinking of caring for non-economic values for the sake of family, family business sustainability. At the same time, the mission is directed inwards, for the benefit of the family and family business and does not consider wider scope of stakeholders. Wiklund [2006] argues that FB have more of their wealth tied to firm reputation and therefore invest more to realize CSR strengths and avoid its concerns in order to maintain a good reputation and safeguard their financial wealth [Block, Wagner 2010].

Social orientation of the company may have an impact on the succession process which is certainly relevant for firm performance. According to some of the scholars, CSR can constitute reinforcement of legitimacy for the successor and in consequence, the implementation of a CSR strategy can contribute effectively to the development of the FB, in particular because of the proximity between the values of these organizations and the philosophical foundations of CSR [Berger-Douce, Deschamps 2012]. Agency theorists such as Schulze, Lubatkin and Dino [2003] conceptualize family firms as ideal organizations where the interest alignment of owners and managers ensure effective decision making for the continuity of the firm. On the other hand, having regard to human resources management, family business are commonly criticized because of the nepotism, prioritizing the interest of family before the business, and therefore lacking focus on the business outcomes, which can in effect display market adaptation problems, and problems with preparation for and succession itself [Déniz-Déniz, Cabrera-Suárez 2005].

Relating to the top management of the FB, Cuadrado-Ballesteros et al. [2015] claim that the higher the proportion of independent directors is, the higher the level of CSR information disclosures. At the same time independent directors may be strongly influenced by family owners, and even by personal or familiar tie. Regarding the strategy of FB, Yusof et al. [2014] claim that CSR do not have to be purchased at the expense of an effective business strategy. Paradoxically, an effective business strategy may be partly non-strategic and partly non-business – i.e. partly focused on virtue or values.

The presented above dimensions related to the socially responsible family business performance and strategy reveal many gaps and contradictions worth being addressed in the future: *is there any real relationship between family business social orientation and its economic performance?; is the familiness influencing strategical decision making in FB?; is there a possibility that, as happens in the case of MNCs, strategy of FBs will be built on the concept of CSR and not the opposite?*

Answering these questions could grant more practical dimension to the research effort in social orientation of FB. Clear and explicit confirmation of the positive effects of CSR implementation on economic company performance would enable authorities and other involved institutions to send to the family business world a convincing invitation to join the sustainability trend.

Conclusions

In this paper we have tried to highlight the main differences between family and non-family firms with regard to the corporate social responsibility implementation. This multidimensional research provides a set of the most interesting, sometimes contradictory and controversial findings regarding the possible impacts of socially responsible family business engagement on their relationship with various stakeholders and on their economic performance and strategy. In several cases the discovered contradictions are so strong that they should be re-examined in wider and more international context, since some of the explored studies were related to specific country context. The present paper provides a literature review on the main CSR-FB issues and, through the expressed explicit questions and suggestions, introduces further research directions in this field.

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