Family and Non-Family Business Differences in Corporate Social Responsibility Approaches

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Abstract
Despite many studies on corporate social responsibility (CSR), few have analyzed the specific case of the family business. Family firms have certain characteristics that make them different from non-family ones in terms of objectives, organizational structure and strategic behavior, making it worthwhile to analyze whether these differences are also reflected in their attitude towards CSR. Given the importance of family businesses in most economies, this paper will contribute to filling this gap in the literature identifying specific aspects that can make a difference in the management and implementation of the family firm’s CSR policies, compared with their non-family counterparts.

Keywords: family business, CSR, familiness, management

1. Introduction
The current economic situation has aroused widespread concern in society about the relationship between business and society, and the overall impact of commercial activities. In order to achieve sustainable socio-economic development, an increased focus on firm behavior and decision-making in areas such as human resources management and environmental matters is necessary. This has led to a growing interest in corporate social responsibility (CSR), and a concurrent need to include CSR policies in business strategy, both in large companies and SMEs.

This general concern regarding the nexus between business, politics, and social issues has also moved to the academic field, driving an increasing level of research and publications on the subject. Thus, there are now many studies on CSR, although most of them focus on large corporations. Less attention has been dedicated to small and medium enterprises (Murillo & Lozano, 2006; Perrini, Russo, & Tencati, 2007) and even less to the specific case of family businesses (Jiménez & Paternostro, 2010).

Family businesses have certain differences compared with other companies, arising precisely from the influence of the family on the vision and objectives of the company (Chrisman, Chua & Sharma, 2005; Fitzgerald et al., 2010). These differences are also reflected in their attitude towards CSR policies. In this sense, there are some characteristics of family businesses that can be considered strengths when adopting socially responsible behavior, and at the same time, there are other aspects that can be considered as weaknesses.

In the literature there is no clear consensus regarding the commitment of the family business to CSR. Morck & Yeung (2004) suggest that in these companies the interests of the family are given priority over socially responsible behavior; while Déniz & Cabrera (2005)
conclude that family firms do not behave uniformly in their orientation to CSR. Other authors, such as Uhlaler, Goor-Balk & Masurel (2004) and Dyer & Whetten (2006), consider that the orientation towards CSR in these companies is higher than in others. However, despite being a matter of great interest and strong relevance to today’s society, so far it has been a topic only addressed in a limited number of studies (Fitzgerald et al., 2010; Campopiano, Massis & Cassia, 2012; Benavides, Quintana & Guzman, 2013). This paper therefore aims to contribute to filling this gap in the literature. Hence, the main objective is to identify those aspects of the family business character that can make a difference in the implementation of socially responsible behavior in these businesses. With this intention, in the next section a brief review of the concept and importance of corporate social responsibility is presented; followed by an analysis of the family business. Subsequently, the specific aspects of the family business that may hinder or facilitate the adoption of responsible behavior are discussed; and finally, the main conclusions are presented.

2. Corporate social responsibility

CSR has grown in importance principally due to a rapidly changing business environment involving an explosion in global production chains, increased pressure on natural resources, unequal population growth, the rise of the informed and increasingly concerned consumer, the growth of activist groups, and changing regulations. CSR plays, in this sense, two key roles. On one side, it permits a better understanding of these shifting social conditions, the impact they can have on and business organization, and the necessary conceptual and/or operational changes that should be made. On the other side, it provides a roadmap whereby companies taking CSR seriously can identify an increasingly wide range of competitive advantages and business opportunities through conducting business in a responsible manner (Hilliard, Priede & López-Cózar, 2014). At the same time, the idea of a more responsible management stance generally is considered by many to be a way to regain lost credibility and the trust needed to overcome the economic recession (Yelkikalan & Köse, 2012; Sanchez & Gallardo, 2013).

CSR began to develop in the second half of the last century (Bowen 1953, Davis 1973), although it was not until the nineties when it really became relevant, resulting in a large increase in theoretical and empirical studies, plus reports from different governmental and nongovernmental organizations (Aparicio & Valdés, 2009). The concept has become increasingly clear, and involves incorporating a sense of responsibility for the social and environmental impacts of a company’s actions, and combining them with the economic responsibilities that companies have always assumed.

The European Commission proposed in 2001 a definition that has become widely used, considering it as "the voluntary integration by companies of social and environmental concerns in their business operations and in their interaction with their stakeholders " (COM 2001). More recently, the Commission itself has renewed the definition alluding to the responsibility of enterprises for their impacts on society, and stressing the need to work with all stakeholders to "integrate social, environmental and ethical concerns, in relation with human rights, and consumer concerns in their business operations and core strategy " (COM, 2011).

Thus, CSR is considered by many to be about voluntary actions undertaken by firms for their employees, society and the environment (Barnea & Rubin, 2010)11. This means,

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11 An increasing number of those immersed in the field of CSR (including the authors of this paper) argue that the voluntary nature will have to give way to a more obligatory approach, something reflected in the new requirement by the EU for companies of over 500 employees to publish a separate social and environmental report (or explain why not).

therefore, to take into consideration the interests, not only of shareholders but of all the groups with which the company interacts (stakeholders). It is this stakeholder theory which provides the conceptual framework widely used in studies concerning the issue (Bigné et al., 2012). Therefore, responsibility criteria are incorporated into the decisions, both daily and strategic, and consequently, in the actions undertaken. Therefore, a socially responsible company is committed to sustainable growth and to maintaining a balance between social, economic and environmental aspects.

Nevertheless, a sincere approach needs to consider the adoption of a Corporate Social Performance model (CSP) which emphasizes the importance of not only identifying, evaluating, and balancing a company’s responsibilities, but also the level of responsiveness as they implement new policies and new operational processes, plus a consideration of the outcomes in terms of an organization’s economic, social and environmental impacts (Wartick & Cochran, 1985; Wood, 1991). Without such a holistic vision, companies may simply analyze and define changing responsibilities without adopting a strategic and coherent approach to new policies and process. Furthermore, the third step of the CSP model (considering the outcomes) is perhaps the less developed, with few companies systematically assessing and measuring the overall change in their social and environmental impacts that should be apparent as a result of the incorporation of a responsible management philosophy (Hilliard, 2013).

How companies respond to these new demands from society has to consider how an organization identifies, prioritizes, implements and manages its different responsibilities. It is important to note that the process used may be as important as the outcomes they produce. According to Jones (1980), ‘‘corporate behavior should not in most cases be judged by the decisions actually reached but by the process by which they are reached’’. In the case of family firms, there are specific characteristics regarding how internal processes are carried out that differentiate them from other organization types.

It should also be pointed out that there is no single set of responsibilities, and therefore levels and types of responsiveness will vary considerably across different organizations (Van Marrewijk & Werre, 2003). While size and type will be relevant, specific internal and external factors should also be considered, the former including organizational culture and design, compensation systems, and ownership structure (Campbell, 2007), the latter including institutional systems, wider cultural considerations, and geographic-specific social issues (Welford, 2005; Doh & Guay, 2006).

A further aspect of CSR is the leadership role played by those at the top of the organizational chart. In the case of family firms, this leadership comes from the family. How the management of their company differs from the management of other types of companies will clearly impact on how they approach CSR. Reasons for considering the impact of leadership in CSR include:

- A gap may exist between what is needed to manage a firm’s responsibilities, and the existing business practice, or organizational values. It is important that firm leaders take the necessary steps to close that gap.
- Nothing is more likely to destroy an initiatives or new processes for responsible management if senior individuals refuse to support them, or actively work against them (Brickley, Smith & Zimmerman, 2002).
- All too often, change fails due to either a lack of long-term attention or a lack of commitment by senior management (Kotter, 2007). For many firms, taking a responsible stance requires changes to be made. Both taking seriously the need for change and putting it into practice over the long-term, requires a commitment by
senior management to ensure that the changes made are firmly anchored and not simply cosmetic.

A large number of initiatives and programs exist through which companies understand and manage these responsibilities, amongst the most well-known and widely-used being the Global Compact and AA1000 to orientate companies towards a more responsible management stance and better understanding of different stakeholder concerns; the ISO 14000, SA8000 and OHSAS 18001 for respectively environmental management, responsible labor conditions, and workplace health and safety; and the GRI framework for identifying, measuring, and reporting the consequent outcomes.

A wide number of academic studies show that the implementation of CSR activities has positive effects on the company, ranging from improved institutional relations, company image and reputation (Campbell, 2007; Hammann, Habisch & Pechlaner, 2009; Benito & Esteban, 2012); reduced costs and increased sales (Husted & de Jesus Salazar, 2006); increased opportunities for innovation (Nidumolu, Prahalad & Rangaswami, 2009); more effective risk analysis through stakeholder dialogue (Rasche & Esser, 2006); improved brand reputation and customer relations (Kitchin, 2003; Polonsky & Jevons, 2006); opportunities for organizational learning and effectiveness (Brickley, Smith Jr. & Zimmerman, 2002); and improved employee motivation, commitment, and talent retention (Cullen, Parboteeah & Victor, 2003).

However, in times of crisis, the financial difficulties faced by many companies can have a clear impact on CSR initiatives; while in employee relations this impact can be negative, in others, such as environmental or corporate governance policies, the impact can be considered positive (Jacob, 2012). However, even in an economic downturn Yelkikalan & Köse (2012) and Sánchez & Gallardo (2013) find empirical evidence which corroborates that undertaking CSR activities has a positive effect, not only in business, but also in society in general.

Similarly, in the particular case of the family business, although the number of studies is limited, Niehm, Swinney & Miller (2008) found that socially responsible behavior is related to the economic viability of the company. For this reason, it is extremely useful to delve into those characteristic aspects of family businesses that may limit or, conversely, facilitate the implementation of CSR policies in these specific types of firms.

3. Family business

When studying the family business, it is surprising to discover that, despite its importance in most economies around the world, there is still not a required, unique and universally accepted definition (O’Boyle, Rutherford & Pollack, 2010). The diversity of views of what constitutes a family business affects the improvement, quality and scientific rigor of the research in the field, and as different studies have adopted different definitions, making comparisons between them and drawing pertinent conclusions has sometimes been quite complicated, perhaps unnecessarily so.

Nevertheless, in the European context there is broad agreement on a definition that enjoys widespread acceptance. In 2009, the European Group of Family Enterprises combined two ideas around which the concept of family business has traditionally turned: the participation of members of the same family in both the ownership and the management of the business. Therefore, it requires that people with family ties have control over the capital of the company, and participate actively in the management process. So regardless of size and legal form, if a company is run by its owners, and these belong to a family, the entity can be considered a family business.

However, this definition does not include a third aspect also considered important in this type of business: the idea of continuity. Indeed, in the international scientific community
there does exist a certain consensus on the parameters that define the concept of family business, and in addition to the requirements of ownership and management, the intention that the business will endure over time through transmitting the company to the subsequent generations is usually added (Kraus, Pohjola & Koponen, 2012). To this extent, we can define a family business as one in which members of one or more families participate significantly in its capital, assume managerial responsibilities and intend to pass the business on to future generations (Astrachan, Klein & Smyrios, 2002, Benito, Priede & López-Cózar, 2014).

Unlike any other type of firm, in which there exist two interacting subsystems -the ownership and the management system- in the family business three different subsystems coexist: ownership, management, and family. (Vallejo, 2011). Each of this subsystems has its own aspirations and interests, implying the presence of multiple and complex relationships among them. These interactions often cause the objectives, the culture, the organizational structure and the strategic behavior of the family business to differ from non-family firms (Cabrera, De Saa & García, 2001; Chrisman, Chua & Sharma, 2005; Zellweger, Eddleston & Kellermanns, 2010; López-Cózar, Priede & Benito, 2013; Benito, Priede & López-Cózar, 2014).

Additionally, in the case of implementation and management of CSR policies in the family firm, Bingham et al. (2011) found significant differences in the behavior of family and non-family firms. One of these differences identified in family firm behavior was that they were more concerned with CSR generally (Graafland, 2002). This was especially the case with large family firms. Uhlaner, Goor-Balk & Masurel (2004), in their work with family businesses in the Netherlands, found that the family nature favors the establishment of a special relationship with workers, customers and suppliers. Meanwhile, Lopez-Iturriaga, López-de-Foronda & Martin-Cruz (2009) conducted a study with companies from five European countries, and conclude that family-owned companies are more likely to focus on CSR than those with other investors. In a similar line, family-enterprises where the family itself provides a substantial part of the capital are more likely to take a long-term view of company success (Astrachan, Zahra & Sharma, 2003).

4. Differentiating issues affecting responsible behavior in family firms

The aforementioned interrelations between family, ownership and management in family firms create a certain set of attitudes and actions that highly differentiate them. These behaviors can sometimes hinder the fulfillment of its social responsibilities, while in other cases it may be a facilitator of responsible behavior.

Regarding decision-making in the family business, it is common to give preference to the interests of the owner family over the interests of the business itself or those of other stakeholders (Morck & Yeung, 2004; Déniz & Cabrera, 2005). The welfare of the family and the achievement of harmony between its members and between them and the company, and avoiding potential conflicts, can lead to decisions being taken or actions performed that may be detrimental to other stakeholders (Jimenez & Paternostro, 2010). Clearly, this method of taking decisions will also apply to CSR issues. Moreover, in many cases, especially in first-generation family businesses, such decision-making is usually concentrated in the founder, who often resists delegating, leading to a high level of dependence on one person (Feltham, Feltham & Barnett, 2005; Cabrera, Déniz & Martin, 2011). As a result, an excessive paternalism (defined as the extreme protection of the founder towards the rest of the family) is not uncommon, to the point of conditioning their decisions and independence (Chirico & Nordqvist, 2010). Generally speaking, the concept of paternalism is associated with safety, security or protection, and in some cultures it has an implicit positive connotation, while in others the opposite is the case, as it can restrict the freedom and the autonomy of individuals (Gupta & Levenburg, 2012). Taken to the extreme, in the family business it can soon become
an authoritarian paternalism, canceling the decision capacity of the employees and creating a dependency on the founder, and thus limiting their development potential (Ip, 2009).

This is singularly different to how CSR is approached in a non-family firm, where analysis usually focuses on whether to create a separate department for social responsibility, whether it should receive board-level attention, and which issues should be under the authority of the social responsibility management function (Van Marrewijk & Werre, 2003; Garriga & Melé, 2004; Aldama, Amar & Trostianki, 2009). A study by Brammer and Millington (2003), for example, suggests a clear correlation between where control of social responsibility management is located within the organization structure and the amount of resources dedicated to it. Fewer resources were allocated when it was located within the central administration of the organization, and more when a separate zone of authority (some kind of CSR department) was created. However, due to the decision-making characteristics of the family firm, this issue of CSR management location is somewhat irrelevant.

Regarding the organizational culture, research suggests that the values of the founder are extremely relevant when implementing CSR policies (Hammann, Habisch & Pechlaner, 2009; Moura-Leite, 2011; Herrera, Larrán & Martínez, 2013). One characteristic of the family business is precisely the influence of the founder (or founders) in the transmission of values, (both to the family and to the business), not only while they are actively managing the company, but even once they have retired (García-Alvarez & Lopez-Sintas, 2001; Tápies & Fernandez, 2012). Thus, future owners and/or business managers often have a deep understanding of the business and likely retain the culture and values that are passed from generation to generation (Cabrera, De Saa & García, 2001; Sirmon & Hitt, 2003; Bellow, 2004; Chirico & Nordqvist, 2010). In fact, various studies suggest that the integrity and commitment of the successor may be more valued than technical skills when ensuring that in the succession, the reputation and values of the company are maintained (Sharma & Rao, 2000; Chrisman et al., 2005).

In non-family firms, the case is often different. Values imparted may require less of a personal leadership commitment from the family members, and more use of external parameters. In publicly listed companies for example, a common program in Spain is the Unified Good Governance Code of Listed Companies, developed by the Comisión Nacional del Mercado de Valores (CNMV), and internationally the OECD Principles of Corporate Governance.

As a result, family businesses have a strong corporate culture with a unique bundle of intangible resources known as *familiness* (Habbershon & Williams, 2000), which assumes that the cohesion and responsibility of its members are generally higher than in other companies (Pieper, 2009; López-Cózar, Priede & Benito, 2013.). Likewise, the *familiness* gives a special strength and stability to the relationship between company members and between them and the main stakeholders, leading to high levels of confidence (Arregle et al., 2007; Cabrera, Déniz & Martin, 2011; Valejo, 2011), aspects that favor the success and effectiveness of actions carried out in terms of CSR.

This sense of commitment and integration often leads to the family name being used as the company's name, something which is positively perceived by customers, and society, and permits the identification of the company with the strong family values (Jiménez & Paternostro, 2010; Zellweger, Eddleston & Kellermanns, 2010; Cabrera, Déniz & Martin, 2011; Campopiano, Massis & Cassia, 2012). In these cases, as concluded in a study conducted by Uhlaner, Goor-Balk & Masurel (2004), when the family name is included in the business name, the image of the family is committed, raising the concern amongst its members to behavior in a socially responsible manner.

In one way, CSR practices can be understood as actions aimed at creating long-term sustainable development of both the company and society (Aparicio & Valdés, 2009).
Aguilera et al. (2006) show that companies that have a clear future vision will take into consideration to a greater degree social and environmental issues when making decisions. Therefore, the long-term orientation typical in family businesses, based on the interest to survive and transfer the business to future generation, promotes commitment to the implementation of CSR activities (Anderson, Mansi & Reeb, 2003; Wagner, 2010, Bingham et al., 2011; Vallejo, 2011; Campopiano, Massis & Cassia, 2012).

Concerning local relationships, those companies that have a strong presence and significant roots in the community, as well as being a key element for development and welfare for the region, use their embeddedness in the local community to faster detect the needs and concerns of the stakeholders, encouraging in this way a more social responsible behavior (Uhlener, Goor-Balk & Masurel, 2004; Benito & Esteban, 2012). Gallo (2004) believes that family businesses tend to engage with their environment in a unique way, which is also a factor that favors the implementation of CSR practices. Niehm, Swinney & Miller (2008) note that family businesses develop a special feeling towards the community, leading them to identify it’s necessities as their own. In the same line, Bingham et al. (2011) find that family firms generally recognize the importance of their relationship with the local community, and tend to show very high concern for its problems and worries.

Finally, regarding human resources policies (which is a key CSR issue), the aforementioned family-ownership-management triangle emphasizes that personnel management in family businesses is different than in non-family ones (Reid & Adams, 2001; De Kok, Uhlener & Thurik, 2006). Sirmon & Hitt (2003) emphasize the importance of human resources within the family business, but also highlight a more complicated human resources management, such as facing difficulties in attracting and retaining highly qualified executives. An especially common practice in the family business is nepotism, which is the tendency to hire family members or very close relatives, regardless of their abilities (Vinton 1998; Astrachan, 2010). This behavior leads to the hiring and promotion of family members for management positions, without considering other, perhaps better-qualified candidates. This practice may be perceived by non-family employees as unprofessional and unfair (Padgett & Morris, 2005; Barnett & Kellermanns, 2006).

5. Conclusions

Interest in CSR has significantly increased in recent years as a result of a more demanding society, requiring a new attitude and a change in business behavior, pressing companies to demonstrate commitment to social and environmental issues, thus contributing to sustainable long-term development.

In this paper we have studied different characteristic aspects of family businesses that make them different to non-family ones, in terms of their disposition to behave responsibly. In general terms, the aspects favoring the implementation of CSR policies- having a strong entrepreneurial culture (familiness), a long-term orientation, an idea of leadership based on the personal preferences of the owners, and a special relationship with the local community; are stronger than those who can be considered a barrier- centralized decision making with an individualistic style of internally processing such questions, priority of the interests of the family and nepotism. Figure 1 shows the factors and their influence. After analyzing in detail each of these factors, we can conclude that the family character of the company is a factor that positively affects the development of socially responsible actions. These results are consistent with previous works such as Adams, Taschian & Shore (1996); Graafland (2002), Lopez-Iturriaga, López-de-Foronda & Martín-Cruz (2009) and Bingham et al., (2011) which support this fact. We would hope to build upon, and develop these conclusions in future research of both an analytical and empirical nature.
Figure 1. Specific family firm characteristics and their influence on CSR policies.

All things considered, the attitude towards CSR policies is based on the mission, vision and values of the company and its role in society. In the case of family firms, due to the strong influence of the family, this vision is strongly determined by the values, integrity, and sense of justice of the family itself, and these ideals will be developed and emphasized as the business itself develops and grows. Without the belief and commitment of the family, there may not be a solid CSR commitment in the company. On the other hand, if the company does not promote responsible behavior, it may not meet the needs of family members. A virtuous circle that will result in a positive outcome is thus created, not only for the company, but also for its stakeholders and the society as a whole.

6. References


