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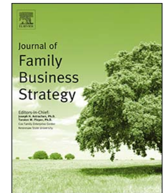

Who are the best performers? The environmental social performance of family firms

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A B S T R A C T

Despite that family businesses are a group of heterogeneous companies with different levels of family involvement in the business, research has given little attention to these important contingencies when discussing family business environmental social performance. Building on the socioemotional wealth (SEW) framework and using qualitative comparative analysis, we explore optimal configurations of governance antecedents that can catalyze the environmental social performance of family firms across Anglo-Saxon and non-Anglo-Saxon countries. Findings reveal two governance configurations that, regardless of the institutional setting, can catalyze the environmental social performance of family firms: 1) the combination of 100% family ownership, first generation leadership, high family presence on the board, and low family involvement in management; and 2) the combination of 100% family ownership, first generation leadership, high family involvement in management, and the presence of outside directors on the board. Specific configurations for non-Anglo-Saxon countries are also identified. Theoretical and practical implications are discussed.

1. Introduction

Increased toxic emissions, climate change, nutrition security, and the provision of healthcare to an increasing worldwide population are few examples of the social challenges that the global world is facing (World Economic Forum, 2016). Given their dominant worldwide presence (Porta, Lopez-de-Silanes, & Shleifer, 1999) and their substantial contribution to the world economy (Morck & Yeung, 2003), family firms are perhaps the most influential organizational form with the potential to assist governments and social welfare institutions to address the social challenges that the world is facing (Van Gils, Dibrell, Neubaum, & Craig, 2014).

In this context, research around the role of the family as an internal stakeholder capable of affecting the firm's environmental social performance (e.g. Aragón Amonarriz & Iturrioz Landart, 2016; Dyer & Whetten,2006; Kim, Fairclough, & Dibrell, 2016; Zellweger & Nason, 2008) has increased over the last decade (Vazquez, 2016). Yet, comparative research on family versus non-family firms' environmental social performance has produced competing arguments and mixed results (e.g. Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Campopiano, De Massis, & Chirico, 2014; Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Cruz et al., 2014; Feliu & Botero, 2016; Morck & Yeung, 2004; Uhlaner, van Goor-Balk, & Masurel, 2004). As nicely expressed by Le Breton-Miller and Miller (2016, p. 1, 2) "for every story of a well-run and socially responsible family firm, there also exist tales of incompetence, family feuds, opportunism and even corporate malfeasance". The salience of competing arguments and contradictory evidence suggests that family businesses are a group of heterogeneous companies and that they may sometimes, but not always, be socially performant.

Studies have emphasized different sources for family business heterogeneity such as the founder's involvement (Bingham, Dyer, Smith, & Adams, 2011), the generational ownership stage (Déniz & Suárez, 2005), family values (Marques, Presas, & Simon, 2014), and the personal characteristics of managers (Niehm, Swinney, & Miller, 2008). To the best of our knowledge, research has yet to consider how the combination of different levels of family involvement in the company can jointly shape the environmental social performance of family firms. This is surprising given recent evidence that shows that different combinations of family business governance contingencies can act in complementarity yielding different family business outcomes (Déniz & Suárez, 2005; Garcia-Castro & Aguilera, 2014; Samara & Berbegal-Mirabent, 2017). For example, qualitative evidence suggests that absolute family ownership of the business, when combined with high

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family involvement in management, can lead the family to have higher identification with the business and higher commitment to socially responsible practices (Marques et al., 2014). To address this important gap in the literature, we build on several firm governance contingencies (i.e. family involvement in ownership, family involvement in management, and board composition) introduced by Le Breton-Miller and Miller (2016) to explore the following question: What are the optimal governance configurations that can drive forward family business environmental social performance?

To that aim, we will first ground our analysis in the theoretical views of Socioemotional Wealth (SEW) (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Given that the main reference point that family firms use to make decisions is the preservation of their SEW (e.g. Berrone, Cruz, & Gomez-Mejia, 2012; Gómez-Mejía et al., 2007) we focus on environmental social performance as it relates to a strong family identification with the business (Marques et al., 2014; Sharma & Sharma, 2011), to the family reputation (Cennamo et al., 2012), and to the desire to keep the family dynasty and reign over the business across generations (Binz, Ferguson, Pieper, & Astrachan, 2017; Kim et al., 2016). Furthermore, building on the work of Kellermanns, Eddleston and Zellweger (2012), we consider SEW as a double-edged sword that, depending on the combination of several governance contingencies, can either foster or constrain the ability of family businesses to increase their social performance. Second, we will use fuzzy set qualitative comparative analysis (fsQCA) on survey data provided by the Successful Transgenerational Entrepreneurship Project (STEP) to explore different configurations of governance structures that can catalyze family business environmental social performance. The STEP database offers rich information about companies embedded in 35 different countries. This gives the opportunity to explore family business governance orientations across different legal systems (i.e. Anglo-Saxon V.S. non-Anglo-Saxon countries) and assess implications for environmental social performance.

In so doing, we make four important contributions to the scant literature on this important topic. First, exploring different configurations of family business governance contingencies allows a better understanding of the mutual dependence factors in management and ownership along with governance choices that lead to better family firm environmental social performance (Le Breton-Miller & Miller, 2016; Nordqvist, Sharma, & Chirico, 2014). Second, we contribute to the debate on when and how SEW increases the environmental social performance of family firms (Berrone et al., 2012; Cennamo et al., 2012; Cruz et al., 2014; Kellermanns et al., 2012); thereby reconciling previous competing arguments and conflicting evidence found in the literature. Third, by exploring how different levels of family involvement in the business combine within varying configurations to affect the firm's social performance, we heed calls for examining the interplay between different governance contingencies affecting the environmental social performance of family firms (Marques et al., 2014; Van Gils et al., 2014) across different legal settings and systems (Le Breton-Miller & Miller, 2016). Fourth, this research alerts family business owners, advisors, and policy makers to the relevant combination of governance antecedents that can catalyze the environmental social performance of their firms.

2. Environmental social performance of family firms

Social performance is broadly defined as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs and observable outcomes as they relate to the firm's societal relationships" (Wood, 1991, p. 693).

Social performance constitutes a holistic model that comprises *legal, ethical, and discretionary* social actions that aim to increase the benefits that the organization offers to its environment and to reduce and alleviate the harms resulting from the firḿs activities (Wood, 2010). Corporate social responsibility and firm philanthropy constitute a subset of the holistic social performance model as they specifically relate to the *voluntary* actions taken by the company to improve the social state and wellbeing of its stakeholders (Bowen, 1953; Freeman, 1984; Mackey, Mackey, & Barney, 2007; McWilliams & Siegel, 2001).

In this paper, we focus on environmental social performance which is mostly used in the literature to investigate family firms' social performance (e.g. Berrone et al., 2010; Bingham et al., 2011; Craig & Dibrell, 2006; Cruz et al., 2014; Marques et al., 2014; Neubaum, Dibrell, & Craig, 2012); allowing comparability and continuity with previous research. Environmental social performance is defined as the firm's commitment to meeting and exceeding societal expectations with respect to concerns about the environment in which the firm operates (Judge & Douglas, 1998). Environmental social performance refers to commitment to socially responsible behavior towards the environment at large; including the natural environment in which the company is embedded, and the development of services and products through transparent and responsible procedures (Cruz et al., 2014).

If SEW is the main reference point that explains the family business attitude towards its environment (Berrone et al., 2010; Cruz et al., 2014; Gómez-Mejía et al., 2007; Kellermanns et al., 2012), then the environmental social performance of family firms can be highly contingent upon whether the bright or the dark side of SEW is prevalent (Kellermanns et al., 2012). Decision makers can practice self-serving behavior placing family needs above all other stakeholder claims (e.g. Cruz et al., 2014; Kellermanns et al., 2012), which outlines a potentially dark side of SEW. Alternatively, decision makers can be concerned with the long-term reputation of the business and with preserving a healthy and prosperous environment in which the firm will continue to thrive (e.g. Berrone et al., 2010; Marques et al., 2014). This is the bright side of SEW. In the following, we outline the main elements of the SEW perspective (Gómez-Mejía et al., 2007) and we summarize arguments related to how different governance contingencies can shape the circumstances under which SEW can foster or restrict the willingness and ability of family firms to increase their environmental social performance.

3. Socioemotional wealth

Derived from the behavioral agency model (Wiseman & Gomez-Mejia, 1998), SEW represents "the stock of affect-related value that the family has invested in the firm" (Berrone et al., 2010, p. 82; Gómez-Mejía et al., 2007). Its main premise is that family members manage the business in a way to preserve and increase the social and economic benefits that the family gains from its involvement in the firm. As such, family decision makers may put the firḿs financial success at risk to preserve and/or increase their SEW (Gómez-Mejía et al., 2007).

Berrone et al. (2012) decompose SEW into five dimensions: a desire for family influence and control, a close identification with the business, binding social ties, an emotional attachment to the firm, and a desire for renewal of family bonds through dynastic succession. In the early stages of its development, SEW has been considered as a pro-social stimulus that increases family firms social performance (Berrone et al., 2010, 2012; Cennamo et al., 2012). Recent works, however, show that SEW can be considered as a double-edged sword that can either reveal its bright or dark side (Cruz et al., 2014; Kellermanns et al., 2012; Kim et al., 2016). For example, due to the desire to preserve a good family image, family firms are less likely to greenwash and more likely to follow through on their proclaimed environmental commitments (Kim et al., 2016). At the same time, due to their concern with preserving the business financial stability and a sense of financial responsibility for preserving family wealth across generations, family firms are less likely to invest in the protection of the environment; considering investments in environmental sustainability as a net cost (Kim et al., 2016).

In the following, we draw on different governance contingencies that can act as a driver for the prevalence of the bright side of SEW and that can mitigate the consequences of its dark side.

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