Environmental responsibility of family businesses: A perspective paper

Abstract

Purpose – This perspective paper explores ongoing research into stimuli that promote environmental responsibility in family business contexts. It also delineates emerging patterns and possible directions for future research within this domain.

Design/methodology/approach – The authors synthesise, critically assess, and integrate existing research to make current thinking about the environmental responsibility of family businesses more accessible to a wide range of readers.

Findings – This paper offers a comprehensive overview of multifaceted triggers and sheds light on how they interact and influence the environmental performance of family businesses. We delve into family dynamics and values, examining how they enable a business to develop environmental responsibility practices. Simultaneously, we emphasise the importance of probing the impact of the macro environment within which family businesses operate, which either might incentivise or challenge their pursuit of environmental responsibility initiatives. The need to design a robust tool to measure the environmental consciousness of familiness, applicable to specific contextual settings, has been identified. Investigating how accounting and control systems act as supportive management tools to enhance the efficacy of overall corporate performance in family businesses is another area for future research. Moreover, examining these dynamics within the unique landscape of emerging economies offers a promising field of exploration.

Originality/value – This article consolidates existing research on the environmental responsibility of family businesses and puts forward potential avenues for future research.

Keywords- Environmental responsibility, Familiness, Family business, Institutional pressures, Triggers.

Paper type- Research paper

Introduction

With growing public concern about environmental issues and heightened focus on corporate sustainability in recent years, the role of family businesses in addressing these critical issues has garnered increased attention (Miroshnychenko *et al.,* 2022). Accordingly, many scholars have emphasised the diverse characteristics exhibited by family businesses, which encompass the fusion of family values, multi-generational continuity, and an entrepreneurial spirit (Chua *et al.,* 1999; De Massis *et al.,* 2018; Habbershon & Williams,1999; Daspit et a., 2021). These elements shape the environmental performance of family businesses in distinct ways (Campopiano *et al.,* 2014; Le-Breton-Miller & Miller, 2016; Sharma & Sharma, 2011). Similarly, family businesses are deeply ingrained in their communities and, guided by enduring values and legacies, locate themselves at the crossroads of economic prosperity and environmental responsibility (Miller & Le-Breton-Miller, 2006; Niehm *et al.,* 2008). This perspective paper explores the relationship between family businesses and their environmental performance, focusing on the interplay between antecedents that catalyse the environmental responsibility of family businesses. In examining these catalysts, our objective is to offer insights into the mechanisms influencing the environmental behaviour of family businesses, thereby providing a compass for future research in this vital area.

Extant Literature- Environmental responsibility in family businesses

The idea of environmental responsibility in a business context has emerged over the past three decades as a meeting point between the concepts of corporate social responsibility (CSR), corporate sustainability, environmental management, and sustainable development (Cai *et al.,* 2015; Heikkurinen, 2010; Peng *et al.,* 2022). More recently, many global businesses and their SME suppliers have shifted from a CSR focus towards the more holistic United Nations' Sustainable Development Goals (SDGs) as a framework for their environmental, social, and economic responsibility initiatives (Williams & Murphy, 2023). Interdisciplinary research on environmental responsibility and corporate environmental responsibility has grown in recent years (Yang et al., 2020). Yet, both concepts remain vaguely defined in the literature, with most researchers focusing more on origins and outcomes than a substantive consideration of actual practices (Ramya, 2022). For example, environmental responsibility is communicated as a form of 'intangible capital' (Kim & Statman, 2012), and corporate environmental responsibility is described alternatively as a key component of CSR (Cai *et al.,* 2016) and "one of the most important factors in firms' long-term value and sustainability" (Kim *et al.,* 2017, p. 381). This lack of conceptual clarity has led Ramya (2022) to propose a practitioner-oriented definition of corporate environmental responsibility, articulating it as a "mindset comprising responsible resource consumption, neutral status on carbon, water, energy, compliance, disclosure, reporting and policy formation, and green supply chain, arising from a multi-level environmental responsibility approach and targets" (p. 1595).

When this corporate environmental responsibility concept is transferred to the realm of family business, the literature offers several reasons as to how and why environmental responsibility is crucial in this type of business. Implementing environmentally responsible practices often leads to sustainable business development, which encompasses improving the social, environmental and economic bottom lines of corporate sustainability (Ahmad *et al.,* 2020; Stock *et al.,* 2023). For example, adopting environmental management strategies and technologies to reduce energy and water consumption and optimising waste management could lower operational costs whilst addressing social and environmental issues. This further ensures the long-term viability of the business by minimising resource depletion and environmental degradation, which in turn has the potential to support businesses to thrive over generations. Family businesses are often deeply rooted in their local communities, and hence environmental responsibility of businesses contributes to community well-being, fostering positive relationships and support from local stakeholders (Kuttner *et al*., 2021; Le-Breton-Miller & Miller, 2006; Niehm *et al.,* 2008). Furthermore, this raises the business's reputation, thereby strengthening the brand image and attracting environmentally conscious consumers (Sharma & Sharma, 2011; Campopiano *et al*., 2014; Le-Breton-Miller & Miller, 2016). Implementing environmental practices helps family businesses comply with related regulations, which reduces the risk of legal issues, fines, and reputational damage associated with non-compliance (Stock *et al.,* 2018). However, the key is to integrate environmental responsibility into the core values and operations of the family business and its culture, thereby ensuring a more holistic and enduring commitment to organisational environmental performance and sustainability. Hence, Miroshnychenko *et al.* (2022) underscore that "family firms…[are] a particularly interesting testbed to study environmental performance" (p. 68). In turn, since family businesses comprise approximately two-thirds of the global economy (Hiebl, 2013), exploring and identifying their environmental footprint, as well as examining their responses to control these impacts, emerges as a critical strategy for addressing global environmental issues.

Several scholars have pointed out that research about family business is relatively nascent compared to non-family businesses (Astrachan *et al.,* 2020; Stock et al., 2023). One of the primary factors contributing to this, as highlighted by Astrachan *et al.* (2021), is the limited understanding of the influence of family involvement on business performance. Family businesses typically are set apart from their non-familial counterparts by their behaviour, which is characterised by family involvement in business performance (Chua *et al.,* 1999; De Massis *et al.,* 2018). This involvement often results in the retention of control of the family entities and managerial discretion (Berrone *et al.,* 2012). Consequently, family businesses frequently employ a personalised control system and a centralised decision-making process. This leads to the development of a distinct set of resources and capabilities known as 'familiness', a concept introduced by Habbershon and Williams (1999).

This familiness typically creates idiosyncratic characteristics, including the prioritisation of non-economic subjective goals. These goals encompass preserving socio-emotional wealth, perpetuating business and family image, and transferring a wealthy business legacy to the next generation by exhibiting a high level of risk aversion (Campopiano *et al.,* 2014; Le-Breton-Miller & Miller, 2016; Sharma & Sharma, 2011; Smajic *et al.,* 2022). Additionally, family businesses focus on building their social capital with strong network ties (Anderson *et al.,* 2007; Saleem *et al.,* 2019) and emphasise cognitive elements of owner-managers such as attitudes, values, and beliefs (Le-Breton-Miller & Miller, 2016). The nuanced impact of these heterogeneous characteristics of family businesses on their environmental responsibility has not been sufficiently explored to date. Further, the findings of prior studies within this research agenda have yielded scattered and conflicting empirical results, leaving a substantial knowledge gap in the current literature. For instance, while some scholars identify a significantly positive trend of family businesses towards environmental responsibility (e.g., Campopiano *et al.,* 2014; Cui *et al.,* 2018; Gomez-Mejia *et al.,* 2007; Le-Breton-Miller & Miller, 2016; Sharma & Sharma, 2011), others have highlighted limited or no motivation (e.g., Abeysekera & Fernando, 2018; Kellermann *et al.,* 2012; Miroshnychenko *et al.,* 2022). Additionally, some areas within this realm have received

limited attention, as delineated below.

Future research directions

First, this inquiry acknowledges that family businesses come in diverse forms and sizes, ranging from small corner shops to large multinational conglomerates. This diversity offers a rich landscape for examining the various expressions of family involvement (i.e., familiness) and other macro-environmental impacts that may influence the environmental performance of these businesses (Randerson, 2023). Accordingly, the significant impact of family involvement on the environmental responsibility of businesses has been partially discussed, using some theoretical foundations such as a resource-based view (e.g. Campopiano *et al.,* 2014; Miller & Le-Breton-Miller, 2006), agency theory (e.g. Cui *et al.,* 2018; Richards *et al.,* 2017), stewardship theory (e.g. Le-Breton-Miller & Miller, 2016), strategic reference point theory, organisational identity theory, and the socioemotional wealth preservation perspective (Dou *et al*., 2019) and others. However, in offering a comprehensive overview of the multifaceted triggers that catalyse family businesses towards their environmental responsibility, it would be crucial to examine the impact of social pressures (e.g., regulatory frameworks, market dynamics, and societal expectations) together with familiness (Han *et al.,* 2022; Roth, 2023; Stock *et al.,* 2023). Many scholars have highlighted this knowledge gap, emphasising the need to apply additional strands of social theory in examining how external pressures influence family businesses to enhance their environmental responsibility (Miroshnychenko *et al.,* 2022). Furthermore, they have stressed the importance of utilising an integrated theoretical framework to gain a comprehensive perspective on potential factors that impact the environmental responsibility of family businesses (Dasanayaka *et al.,* 2022). Moreover, there is a need for greater insights into the key factors that influence the environmental sustainability performance of family-run businesses (Ernst *et al.,* 2022).

Second, within the existing body of literature, limited tools have been created to gauge the extent of family engagement in business performance. Notable examples include the Bayesian Network Model developed by Dávila-Aragón *et al.* (2018), the FIFS tool devised by Frank *et al*. (2017), and the F-PEC framework introduced by Astrachan *et al.* (2002). Of these, the F-PEC scale is the only instrument that has been modified and retested for its validity by several scholars (Cliff & Jennings, 2005; Klein *et al.,* 2005) since it was introduced. Various academics have employed this scale to measure family involvement in family business performance across various dimensions (see Nam *et al.,* 2013; Yazdi, 2018). Nevertheless, several scholars, including Cliff and Jennings (2005) and Nam *et al.* (2013), have advocated for adaptation and subsequent validation of the F-PEC scale to render it applicable to specific contextual settings such as emerging economies and small and medium-sized enterprises (SMEs). Another area for future research lies in the development of a scale to assess the 'environmental consciousness of familiness,' which would gauge the extent of family involvement in the environmental responsibility of a business.

Third, Stock *et al.* (2023) reveal that many studies offer evidence that family influence on environmental responsibility increases the likelihood of the environmental performance of their family firms and consequently improves business outcomes. However, research on how family outcomes are linked to environmental management strategies (e.g., family community status and family emotional well-being) appears to be missing. Furthermore, they note that the literature lacks answers that demonstrate how CSR links both family influence and family outcomes. Understanding this link is crucial to making a clear strategic choice about environmental performance for family businesses, in particular SMEs, since family businesses have limited resources to invest in environmental activities.

Fourth, it is not logical to apply the research outcomes yielded from developed economies to address the existing gap in the literature of emerging economies. This is because there are substantial social, economic, cultural, and political differences between these two economic contexts. For example, emerging economies often grapple with challenges such as deficient law enforcement, underdeveloped infrastructure, limited technological advancements, low IT adoption resulting from economic imperfections, and other social, political, and cultural disparities (Dasanayaka *et al.,* 2021; Gunarathne & Lee, 2019). Consequently, it will be crucial to consider the effects of diverse economic, socio-cultural, and technological factors on the environmental responsibility of family businesses in emerging economies. Moreover, it will be imperative to investigate how owner-manager's unique behaviour patterns and personal value systems, influenced by a specific country's social, cultural, and value systems, either promote or inhibit the environmental responsibility of family businesses.

Finally, scholars have recognised that family businesses face the ongoing challenge of balancing profitability with environmental responsibility in dynamic business contexts. Consequently, they are exploring the use of environmental management accounting and control tools as supportive mechanisms to enhance the effectiveness of environmental strategies and improve overall organisational performance. These tools provide managers with both monetary and non-monetary information, enabling them to make well-informed environmental decisions aimed at minimising their environmental impacts (Gunarathne *et al.,* 2021; Lee, 2017; Wijethilake, 2017). Surprisingly, this appears to be one of the research areas that family business scholars have largely overlooked.

Conclusions

With this perspective paper, our aim is to offer researchers, practitioners, and policymakers greater insights into the diverse and nuanced forces that influence the environmental responsibility of family businesses. By highlighting the gaps and opportunities in existing research, we offer a roadmap for future studies, as summarised in Table I. Ultimately, we are seeking to advance knowledge in this area and foster more sustainable family business practices in this crucial commercial sector. In so doing, we hope to unleash the potential of family businesses to become champions of environmental responsibility for both prosperity and the planet.

<Insert Table I about here>

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Table I.
Summary of prospective research areas identified.

Suggestions for future research	Reference
Investigations into the influence of social pressure on the environmental responsibility of family business.	Han *et al.,* (2022); Miroshnychenko *et al.,* (2022)
Development of an encompassing theoretical framework to acquire a holistic comprehension of the precursors driving environmental responsibility in family businesses.	Dasanayaka *et al.* (2022); Ernst *et al.* (2022)
Application of new theoretical perspectives, such as New Systems Theory, to understand how systems (i.e., internal and external systems of a family business) interact through interpenetration.	Randerson (2023)
Modification and validation of widely used F-PEC scale to make it applicable to specific contextual settings (e.g., emerging economies and SMEs).	Cliff and Jennings, (2005); Nam *et al.,* (2013)
Development of a scale to assess the “environmental consciousness of familiness.”	Authors
Inquiring how family outcomes such as family community status and family emotional well-being are related to environmental management strategies implemented by businesses	Stock *et al.* (2023)
Conduct of more studies in emerging economies.	Authors
Exploration of the influences of environmental management accounting and control tools for successful environmental strategy implementation in family businesses.	Authors

Source: Authors' own work