Abstract: The aim of this paper is to provide framework and key issues relevant for research on social responsibility of family business. From providing two theoretical approaches towards social responsibility such as social capital concept commenting on the familiness as a family firm resource and capability; and the stakeholder theory we move to the state of the art of family business. Then, we discuss heterogeneity among family firms show how it can determine their CSR approach. We also refer to family cohesion to show the role of the nature of exchange systems on the nexus of family and business systems. Following this unique feature, we provide some basic family firm characteristics (family involvement, ownership and influence) and we aim to outline how these characteristics determine social responsibility in family business by referring to the relevant literature. We summarize by suggesting the inward orientation of socially responsible behaviors among family firms, where family is a stakeholder at stake. As a result, non-economic goals matter in long term meaning preservation of family ties or transgenerational value creation.

Key-words: CSR, social responsibility, family business, social capital, stakeholder theory.

Introduction

Majority of family firms, are small ones. It is also the case of Poland, as in 2009 in there were around 38% family microenterprises, 28% small and 14% medium sized family companies. Therefore, the discussion on the social responsibility in family business should be placed in the context of the small business particularities and only additionally focus on of the family business characteristics. Meanwhile, the scientific discussion regarding CSR in small business reality is definitely ongoing also in our country, there is still little evidence on the features of socially responsible approach in family owned companies. This paper is an attempt to start this discussion in Poland

Banasiak [2014: p.126] argues that CSR is implemented in majority of large enterprises, and he claims that small enterprises, including family business, are supposed to start learning the rules and guidelines of CSR. Is it an adequate claim? What have small enterprises done, so far? Have they acted in socially irresponsible way if they need to learn about dos and don’ts in

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CSR? What is the nature of CSR among small enterprises, among family enterprises? We believe that family business have their own, unique approach to social responsibility. They are socially responsible, and this responsibility takes an informal dimension. Perrini [2006, p.311] defines it as ‘sunken’ CSR where social responsibility activities are not elements of formal strategic process and they are not visible from the outside of the company. That is why we would like to take a closer look at family, family business characteristics and discuss how they impact the social orientation of the firms. We are aware, that the discussion in this paper does not fully cover all biographic, and other family and family business related features. Family firms are regarded in both negative and positive terms in relations with their stakeholders. This may determine different nature and orientation in their social responsibility.

1. Theoretical approaches to social responsibility

For the discussion of social responsibility, two theoretical approaches can be adopted- one is the stakeholder theory and the other is social capital concept. It is argued that the former is more applicable in case of large enterprises whereas the latter is closer to explaining small enterprise involvement in socially responsible behaviors [Perrini 2006, p.305; Russo and Perrini 2009, pp.207-221]. In stakeholder theory, corporate social responsibility leads to relations of enterprises with its stakeholders. In social capital approach, corporate social responsibility results from the interactions, relations through which enterprise builds its social capital. To understand the background for theoretical approach, Perrini [2006, p.306] recalls two main, parallel explanations. One explanation derives from the different policy approaches and organizational attempts working to promote idea of socially responsible business. This is where a variety of CSR actions are undertaken and formal definitions are proposed. It is more of a top down approach. The other explanation comes from the appreciation and acknowledgement of social issues among organizations and their environments. Here, clear formal rules, codes of conduct for management are introduced into the business. They have developed more from the bottom up initiatives. It is argued whether the two approaches are alternative, or complementary, when understanding the involvement of small enterprise in social responsibility.

1.1 Stakeholder theory

The interest in stakeholder theory with reference to socially responsible behaviors, comes from the understanding of CSR and the interactions on the level of the business and society. It
has resulted in an appreciation of different ways how a company can increase its performance, thanks to maintaining relationships with other actors. This is where stakeholder management has become of large importance. Freeman [1984, p.49] speaks about stakeholders as “those groups that can affect or are affected by the achievement of organization’s purpose”. These groups are the central issue in the stakeholder theory. There are many ways in which research interprets stakeholder theory. For example, it is argued that the enterprises should act responsibly not only because they aim to avoid the stakeholders’ pressures, but also because they want to act for the better in the society. Perrini [2006] in his overview of CSR concept development, reminds that in the 1990’s triple bottom line idea was combined with the CSR management next to the stakeholder approach. Finally, until today, CSR is related to long-term value creation in terms “of responsiveness of businesses to stakeholders’ legal, ethical, social and environmental expectation, CSR is one outcome of these developments” [Raynard and Forstater, 2002, p.6; Perrini 2006, p.308].

Today, stakeholder approach to CSR has been widely accepted among organizations. What is important is that the dynamics in the stakeholder environment are emphasized [Dunfee 1991; Hasnas 1998; Russo and Perrini 2009] Accordingly, CSR is not regarded only as the outcome, as a result of the process, but also is process itself, a strategic orientation of an organization.

1.2 Social capital concept

The concept of social capital has been applied mainly in the context of SMEs’ engagement in CSR. For Russo and Perrini [2009, p.210] social capital touches upon some key elements of business ethics such as transparency, goodwill, good citizenship [Russo, Perrini 2009;]. These authors have used Putnam’s definition of social capital “social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them [...] that can improve the efficiency of society by facilitating coordinated actions” [Putnam 1993, p.167; Russo and Perrini 2009, p.210]. For Napahiet and Ghoshal [1998, p. 243] social capital is the “sum of the actual and potential resources that are embedded within, available through and derived from the network of relationships possessed by an individual or a social unit”. Ethical issues such as for example trust, good relationships with selected suppliers and clients, good relationships with employees have been appreciated as key for the development these enterprises. The use of formal procedures, standards, codes of conduct, seem time and resource consuming for small business. Therefore, interpersonal networks, are of importance for them, and determine how social responsibility exercised. As economic action is embedded in social context [Granovetter, 1985], entrepreneurs’ social
networks are embedded in economic context [Jack and Anderson 2002, pp.1-22]. Also, social capital accumulates thanks to the formal networks, networking with other organizations, across industries, involving charity and volunteering. Overall, following Putnam’s approach, features of social capital define elements of civic community [Perrini 2006, p. 309; Putnam 1993, p.177]. It implies that some organizations, small enterprises in particular, are embedded in local communities where they operate. It is not only that CSR tools and approach gives guidance on how organizations should act in their communities. The relational and cognitive, structural dimensions of social capital they create, manifest their embeddedness in the local contexts. They naturally contribute to the socially responsible behaviors. In the discussion of social capital, as one of the forms of capital apart from human and physical capital that enterprises utilize, we draw the attention to the concept of familiness, that has recently emerged in recent literature on family business. Familiness is closely related to social capital as it means “resources and capabilities that are unique to the family’s involvement and interactions in the business” [Pearson et al. 2008, p. 949]. This is the familiness as the source of competitive advantage, that leads to increase in family wealth and value generation. Popczyk [2014, p.133] refers to strong moral infrastructure and emotional trust as assuring long term linkages among family members. For Pearson and other authors, familiness brings about positive outcomes when family is involved in the business. It is the regular interaction between family, business and individual family members that make these resources and capabilities unique. This, from the resource based view perspective gives a family firm a unique competitive advantage. Nevertheless, so far researchers have not fully managed to trace roots of familiness as well as different types of familiness.

2. Family business characteristics and their relevance for social responsibility

Being a part of them, in many areas family firms are similar to small enterprises. They have limited staff to cope with new management approaches and concepts, including CSR, they establish stronger relationships with a local community they operate in, they do not make strategic plans to recognize and value their stakeholders. On the other hand family influences on the management and governance, succession, ownership make family business unique, different from non-family business. Another significant direction for difference is long-term thinking. Usually, small enterprises operate in short term perspective, do not have extant 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 focused. Family firms very often prioritize non-financial goals, that do not follow the business logic. This helps to maintain
their socio-emotional wealth, which is kind of value they experience, get, instead of getting profits. Therefore, they are more inclined to be socially oriented even if this does not generate economic benefits [Popowska and Starnawska, 2015; Berrone, Cruz and Gómez-Mejia, 2012].

2.1 Demographic (biographical) characteristics

Biographical characteristics of families and family business may determine the differences in how social responsibility is exercised. Deniz and Suarez [2005, pp.27-41] argue that too often family business are treated as a homogenous groups, meanwhile characteristics such as size, age, generation of the family business as well as family involvement are used to explain the variety of their behaviors [Deniz, Suarez 2005; Sharma 2003].

In their work, Quazi and O’Brien [2000] propose a model with two dimensions on how CSR can be practiced and evaluated. One dimension refers to the scope of social responsibility actions, from narrow to wide. Companies with a ‘narrow’ CSR conform only to economic and legal responsibilities, according to Caroll’s [1979, pp. 497-505] classification. The aim of the business is to provide goods, maximize the profit and follow legal regulations. The ‘wide’ approach means business makes efforts to meet society expectations, in the area of environment, working for the community well-being, being philanthropists. This approach is closer to the stakeholder perspective and helps to understand why enterprises go beyond profit maximization and act for the benefit of the society.

The other dimension proposed in Quazi and O’Brien’s model includes how social responsibility is regarded by organizations or what is the outcome of its implementation. One view is that CSR is a cost generation activity. This brings disadvantages for companies, even more common among smaller enterprises which consider costs are one of the key factors in their market survival [Ahmed et al, 1998; Deniz, Cabrera, 2005:]. On the contrary, there are enterprises that regard CSR actions and outcomes as benefit generating. It is taken from the long-term approach to CSR and its benefits for the company and for the society. In the long term CSR is a kind of investment, where short-term cost will be converted into long-term benefit.

Based on these dimensions of social responsibility nature, scant evidence shows [Deniz and Cabrera, 2005] that there are no significant differences among family firms, and they display large heterogeneity in their socially responsible behaviors and attitudes.

Family business, in terms of its relations with environment differ from non-family firms in one main aspect. Family itself should be considered as a particular stakeholder. This
difference in terms of CSR involvement is highlighted by Matejuna [2010, pp.263-274]. So this is where family influences on the management and governance, succession, ownership that makes family business unique, different from non-family business. These affect the company’s operations, strategies, how they are designed and implemented. Discussing the responsibilities of family business towards stakeholders. Debiz and Cabrera Suarez [2005, pp.27-41] provide two contrary extreme types. In one case, family business characterized by nepotism, prioritizes the interest of family before the business, does not focus on the business outcomes, can in effect display market adaptation problems, and problems with preparation for and succession itself. As a result family business may operate poorly, and even basic CSR in economic dimension can be regarded as cost. Orientation and responsibility for doing business is very low and that is how family firm can act not fully socially responsible. Here, the family is a stakeholder but in narrow approach being fair means no free riding, justice is a minimum standard of living for the least productive family member. In this case family business is far away from other, wider responsibilities such as ethical or discretionary ones. The other approach presents family business that provide high quality products, guarantee protection for all employees, care for the community, family involving for the benefit of the community and company. They display involvement in philanthropic activity and very often contribute their personal resources for social purpose. In this case, it seems like a long-term, wider approach to CSR. No doubt the scope of CSR and stakeholders at stake is broader and so the family is not the sole stakeholder. Again, some researchers argue that this approach is less common among smaller firms.[Debiz, Cabrera Suarez 2005, pp.27-41]. These authors claim that differences in these two approaches are deeply rooted in the family values, so we would need to think deeper, beyond biographical characteristics of firms to explain heterogeneity in socially responsible behavior, involvement.

In terms of other biographical characteristics of family business such as age, the generation of the family business, there can be made some other interesting assumptions. In the first generation of family business, leaders very often adopt paternalistic behaviors, organizational structure is hierarchical, they keep the power in their own hands as founders, and do not trust individuals beyond family. Some systems of employee control are implemented but leaders do not invest in their development. This may change with the movement to next generations in leadership of family business. Dyer [1986, pp. 401-416] provides evidence that there is more participative pattern in second generation companies, where they become more oriented towards groups, employees gain more trust, and there are more universal management criteria
(as opposed to paternalistic in nepotism). Such approach can follow the modern model of CSR.

Taking the above discussion into consideration, it is possible that different CSR approaches may be related to features like size, age or family generation involved in the business. However, the scarce data, evidences that it is not the case and this makes potential for future research.

2.2 Family cohesion and familiness

One of the family business characteristics underlined in the literature is family cohesion, which impacts upon the ethics in the enterprise. Long and Matthews [2011, pp.287-308] 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. Actors in the organization do not expect direct or immediate returns from their interactions. The relationships are values themselves. If obligations take place they made to the other individual but to the group of individuals in the organization i.e. the whole family. When one party breaks the rules of exchange it is the problem or business of the other cheated party but the whole group [Long and Matthews 2011]. GES means reliance on friendship, kin relationships, where emotions and the interaction of individuals are collectivist, cohesive, homogenous [Long and Matthews 2001: 291]. This represents a stewardship approach. GES indicate high cohesion among individuals in the organization which in case of family business are family members operating in the enterprise. GES is contrary to RES, where individuals focus on self-interest, exchange relationships lead to particular achievements, and their short term outcome is expected. In RES, the interactions are systems where mutual, direct reciprocity is expected. This kind of approach reduces group cohesion and reminds agency, not stewardship approach.

With respect to family cohesion, ethics has a peculiar manifestation, as it represents non-economic goals set inside the family business, trans-generational sustainability orientation and strong interpersonal ties. In such cases, the economic goals of a family, are very close to the goals of the family itself., where family operates with long term view, invests in group identity and sustainability of the business across generations, for the sake of preserving family ties, community [Long and Matthews 2011, p.296]. The proclivity to transgenerational sustainability is the manifestation of family firm ethos.

Also, the presence of generalized exchange systems determines more focus on non-economic goals that are family centered. Relationships and immanent goods (social capital, common
identity) and leads to the family firm behaviors to generate non-economic goals. They want to build family value over time. The GES form of exchange systems reminds the familiness as a resource in the family business. Therefore, it can be claimed again, that manifestation of social responsibility takes place at the level of family involvement in the business and its long term orientation, towards non-economic goals, where transgenerational sustainability and strong ties in family are at the core interest of family firm. The familiness is generated amidst the interactions of two systems of family and business.

When talking about social issues, or manifestations of social responsibility here, they are apparent on the level of family business outcomes. Chrisman and others [2003] and just like Pearson and other authors [2008, p.952] argue that familiness determines noneconomic outcomes of the family business. For them these outcomes are: preservation of family ties and value creation among generations. 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, family business and does not consider wider scope of stakeholders.

2.3 Family involvement

There are varying definitions of family business, but the family involvement is the most prevalent criterion. The general definition provided by O’Boyle et al [2010, p.311] suggests “family involvement represents a substantial family presence in ownership, governance, management, succession and/or employment”. He argues that there is a positive correlation between this criterion and a financial performance of the company [Burkart, Pannuzi and Shleifer, 2003]. Recent literature, in the context of social responsibility of family businesses, uses new concepts of the Proactive Stakeholder Engagement (PSE) and of the Socioemotional Wealth (SEW) [Hirigoyen and Poulain-Rehm, 2014, pp.243-245; 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, the founders of family firms perceive them as an extension of their ego, and thus, companies reflect their fundamental values and are a reflection of the self-assessment of family members. Family values present 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. Future generations of family businesses are an important stakeholder, essential to their survival. Treatment of the next generations as stakeholders is included in the aforementioned socioemotional dimension, where coexist their future and interest [Delmas, Geergaud, 2014, p. 244]. Therefore, family firms engage in significantly more positive social initiatives that nonfamily firms. 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 [Bingham, 2011; Van Gils et al. 2014, pp.193-205].

2.4 Family ownership, control and influence

Studies show that increased family involvement in the ownership of the family business increases its interest in philanthropy, which is a discretionary form of corporate social responsibility [Campopiano et al., 2014]. The concern is to preserve the firm legacy and in particular its honor especially when the company bears the family name. Connected with the ownership, control and involvement, stewardship approach argues that in family enterprises, both owners (family) and managers (salaried employees) have a menial attitudes towards the organization, and their goals are similar to long-term business objectives, which must be supported, developed and transferred to the future generations. Family members are selflessly devoted to the company, its functioning and put the business and environmental goals of the local community before their own objectives. Family seeks to sustainability and business continuity, recognizing philanthropy as the best way of stewardship to the local community. Stewardship in the family business is characterized by an important investment in the future of the company and a strong desire to follow the long-term objectives, even at the expense of short-term objectives.

On the other hand, greater family involvement in management processes reduces the commitment to social issues [Campopiano et al., 2014]. This may be connected with the complexity of management functions in a small company and the consequent time scarcity inhibitory to the strategic management orientation.
Conclusions

Family business, especially of the small size has a lot in common with any other small business representative, especially in terms of the company organization, management style and market behaviours. They are very heterogeneous but also have some common characteristics, giving them particular paths in their approach to CSR. As noted in the literature, the age of the business positively determines socially responsible behaviors. Their relationship with different company stakeholders is more affective, and family itself is a stakeholder at stake, especially when it comes to the reputation sustainability with regard to the future generations. This shows the ethnocentric nature of the social responsibility of a family firm. Here, the Generalized Exchange Systems, Proactive Stakeholder Engagement and Socio-Emotional Wealth explain the long term orientation of family firms, their drive for trans-generational sustainability, the priority of non-economic goals over other goals on the family-business nexus. Despite the fact that among researchers there is no consensus whether family firms are more concerned with responsible behavior or not, their long term orientation and the set of unique values give them a special drive in this area.

And what about Polish family firms? Do they consider this business dimension as an important one? The results of the recent survey (KPMG, January 2015) show that 49% of Polish (against 34% of Europeans) respondents emphasized the importance of the philanthropy in their day to day activity. Despite it was one of the less important business objectives, this score is rather promising. This question definitely requires more research and analysis.

Still we do not know much about the ‘sunken’ dimension of social responsibility that has been argued throughout our literature review in this paper. However, the existing theory indicates that CSR approach is more internally oriented i.e. family firms act responsibly focusing on the benefit and interest of the family: being at the same time the key actor in the family-business systems nexus and key stakeholder. We would suggest to extent Russo and Perrini’s [2009] explanations for different theoretical approaches, that majority of socially responsible behaviors among family firms rests in their family contexts where family itself is the most important stakeholder and the responsibilities about it emerge and grow organically. Without doubt, this suggestion shows direction of some further research potential opportunities for the future.
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