

The significance of corporate social responsibility in family businesses

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Abstract

Family businesses play a pivotal role in the global economy, characterized by a unique blend of familial values, long-term orientation, and entrepreneurial spirit. One area where family businesses are increasingly making an impact is in the realm of Corporate Social Responsibility. Unlike their non-family counterparts, family businesses often embed their social and ethical values deeply into their operations, which may lead to a more holistic approach to sustainability. This paper explores the relationship between family business dynamics and Corporate Social Responsibility, and investigates how family control influences Corporate Social Responsibility strategies, decision-making processes, and stakeholder engagement. By drawing on an extensive theoretical background, this study aims to provide a deeper understanding of the motivations behind sustainability initiatives in family-owned firms, particularly in the context of sustainability and community involvement. We argue that the non-financial, family-related priorities, coupled with a generational focus, provide a distinct advantage in balancing profitability with societal impact. This research contributes to the literature by offering new perspectives on how family businesses can leverage their unique attributes to enhance their public spirit efforts, fostering long-term value creation for both the business and the wider community.

Keywords: family business, corporate social responsibility, sustainability, stakeholder engagement, generational influence.

JEL Classification: M14, L26, L21, Q01

Introduction

In the 21st century, the topic of sustainability and Corporate Social Responsibility (CSR) are inevitable. The longstanding operation of firms depends on how they can cope with the challenges of the modern world, and how they can ensure the careful and conscious usage of resources in the long term. Therefore, each and every organisation needs to take sustainability into consideration besides profitability.

As family businesses (FBs) are not only the oldest types of business organizations but are also highly important to the economy due to their high prevalence and significance in employment, their attitudes towards sustainability and CSR need to be researched.

This paper aims to offer an overview of the importance of CSR practices of family firms. Drawing on the existing academic literature, the following presents the nature of family businesses and how their distinctive characteristics foster the practical adaptation of CSR practices in order to widen our understanding of how the distinct advantages of family firms balance profitability with societal impact, and why this is so important in the case of long-term persistence.

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Family businesses

Family firms are not just one of the oldest types of business organisations (Sharma and Sharma 2011), but they also have a significant impact on the global economy thanks to their high representation and their dominant role in employment. Although family businesses are considered as SMEs, they may vary in size and can be seen in various industries around the world. In fact, different surveys have published different proportions of family businesses in relation to total businesses. For instance, Huszák et al. (2021) estimate the global share of family businesses at 65-80 per cent, while Csákné (2012a) estimates it at between 75-95 per cent.

Thus, before the examination of the role of sustainability and corporate social responsibility, it is important to see why and how family businesses are different from their non-family counterparts. The most important distinguishing features come from management and ownership structure. In this type of organizations, the dominant role of the family (or families) can be perceived both from the leadership, management and operational side, and also from the side of ownership (Mandl 2008, Csákné 2012b). This means much more than the personal representation and a higher ratio of family members in the management and among colleagues. Therefore, most definitions are based on the presence of the family. However, a general, widely accepted and usable definition was needed so that statistical approaches and conceptual frameworks can be used and researched universally (Di Toma and Montanari, 2010). An exclusive list of attributions was needed to define family businesses. Hereinafter, the definition of Kása et al. (2019) will be used. According to this definition, a family business can be identified based on some key attributes in terms of ownership, management and family involvement. By definition, family businesses are those firms that consider themselves to be family businesses, or where at least 51 percent of the company is owned by a family, and the family participates in the management of the business, or family members are employed in the operation of the business, or management and ownership are transferred in whole or in part within the family (Kása et al. 2019). This definition helps to understand the obvious features of family businesses. However, family values and norms shape the organizations from top to bottom in every field, which results in the appearance of the distinctive familiness as the main characteristic of all family businesses and the family-related priorities with all their benefits and limitations.

The Three Circle Model

Family business research is an emerging field also in Hungary. However, international studies have a several-decade history (Benedict 1968, Dyer 1989, Aronoff 1998) and the topic is still current and popular (Kállay, Szabó 2023). Thanks to careful observation, theoretical models can be used to get a deeper understanding in the functioning of family businesses, which can help to highlight the points where distinctive familiness appears. For instance, the Three Circle Model (Figure 1) of Renato Tagiuri and John Davis (1996) identify the key stakeholders in the life of FBs, with whom interactions and relationships affect decision-making, operations and performance. The three main elements, which shape family businesses, are the Family, the Enterprise, and the Ownership (Tagiuri and Davis 1996). This is so even if it is a small day-to-day operational question or even if it is a more serious issue with higher importance. The dominant role of the family appears here, which can lead to decision-making prioritising non-financial goals of family businesses like transgenerational persistence or sustainability.

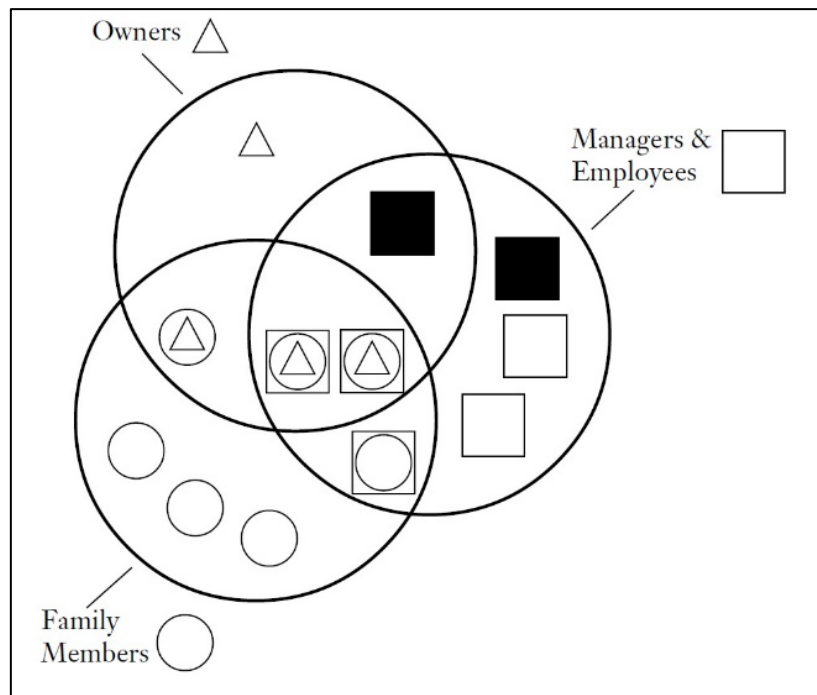


Figure 1: *Overlap of Family, Ownership, and Management Groups*
Source: *Tagiuri and Davis (1996)*

Distinctive familiness and socioemotional wealth (SEW)

FBs are special as they uniquely blend entrepreneurship and familiness (Csákné 2012a). This distinctive familiness is the exclusive characteristic of family businesses, which refers to the constant interaction between the family, family members and the firm (Chrisman, Chua, Steier 2005), which shapes the picture of family businesses. As a result, this type of firms have a significant and similarly important aims besides financial goals: family-related priorities. These non-financial objectives can be harder to comprehend. To define this additional asset and to reveal this extra value the first definition of the Socioemotional Wealth (SEW) concept was described in 2007 by Gómez Meija et al. According to the definition, SEW is the value of the enterprise that cannot be explained in financial terms and objectively (Zellweger, Astrachan 2008). These socioemotional assets are an emotional endowment that is an integral part of the family business, which can influence the performance of the family business (Cruz et al. 2012) and differentiate family firms from other organisations (Gómez-Mejía, Cruz, Berrone, De Castro 2011). To conceptualize the main elements of the SEW the FIBER scale was formulated by Berrone et al. in 2012. The FIBER model distinguishes between five different aspects of the SEW utilities the family shares as they benefit from the management and ownership of family business. The FIBER scale divides the elements of SEW according to the following factors: F – family control and influence, I – identification of family members with the firm, B – bonding social ties, E – emotional attachment of family members, R – renewal of family bonds (dynasty).

Sustainability

Sustainability is a concept of considering the intersecting circles of society, environment and economy in decision-making and production in order to be able to continue operations at present and in the future. According to the three-pillar concept, sustainability is built on these three basic elements of social, environmental and economic factors. (Figure 2)

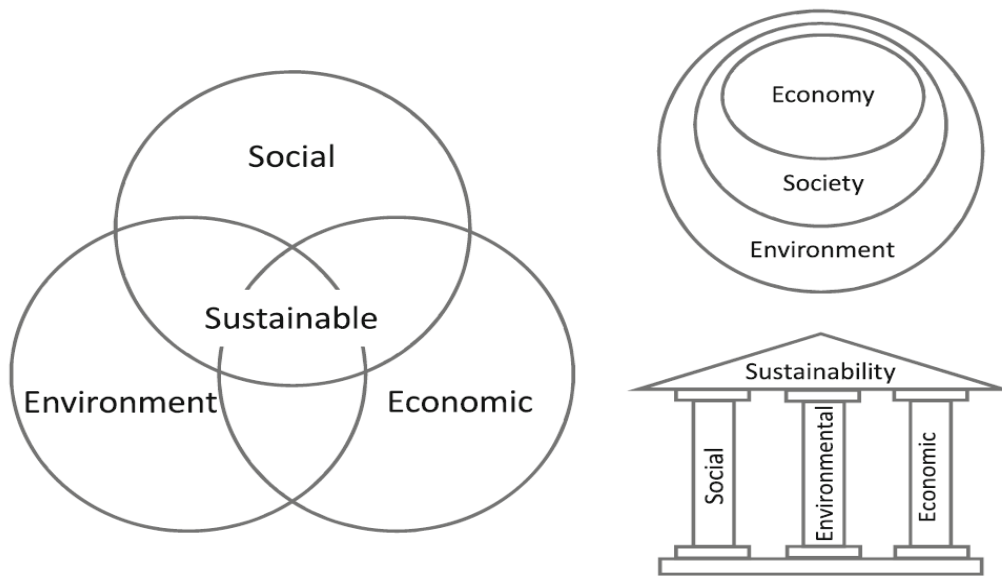


Figure 2: *Left, typical representation of sustainability as three intersecting circles*
Right, alternative depictions: literal ‘pillars’ and a concentric circles approach
Source: Purvis et al. (2019)

Social responsibility and sustainability are equally important for long-term survival. As the main essence of the definition of sustainability is the quality of being able to continue over a period of time. The idea is that goods and services should be produced in ways that do not use resources that cannot be replaced and in a way does not damage the environment. (Cambridge University Press n.d.)

Being sustainable requires the integration of environmental responsibility, social equity, and economic efficiency into operations and strategy to be sustainable. Furthermore, it is also required to reduce ecological impact, improve community well-being, and ensure long-term profitability. Focusing on the triple bottom line – people, planet, and profit – a sustainable business is able to achieve competitive advantage and higher performance. (Zaman et al. 2025)

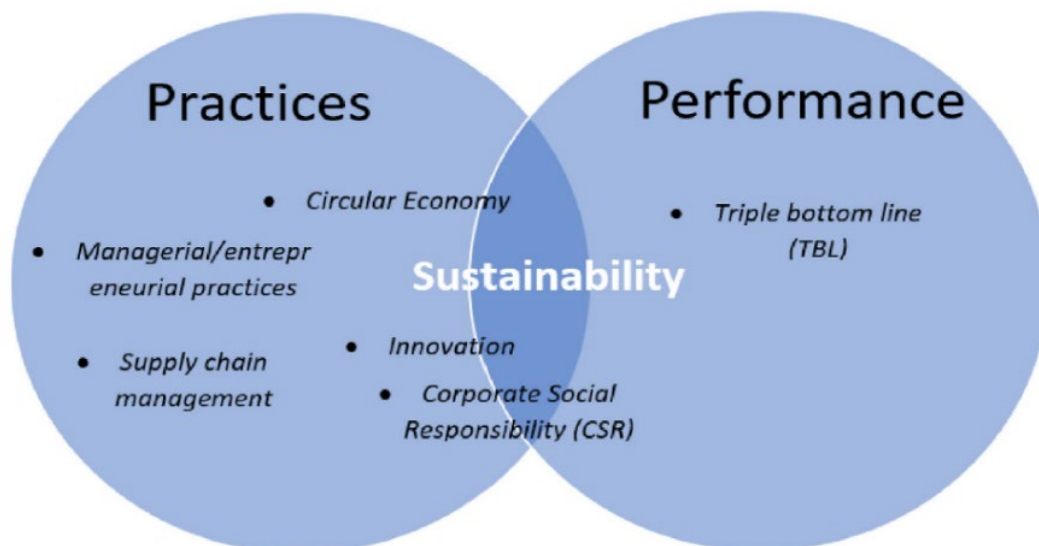


Figure 3: *Mapping key themes on to a ‘practice-performance’ linkage Framework.*
Source: Zaman et al. (2025)

According to Zaman et al. (2025), sustainability in practice is built on the synthesis of two main dimensions: ‘sustainability practices’ and ‘sustainability performance outcomes’. Following this logic, sustainability practices represent the inputs, and sustainability performance represents the outcomes. These two intersecting circles, shown in the Venn diagram (Figure 3), incorporate the six key sustainability themes, which provide a more holistic view of the concept of sustainability.

Within the ‘practice-performance’ linkage system, the intersection area of the Venn diagram represents ‘sustainability’, which unites sustainability practices and performance outcomes.



Triple Bottom Line

Figure 4: *Triple Bottom Line (TBL)*

Source: *Elkington (1994)*

On the one hand, in practice, supply chain management based on its relative relevance to each aspect belongs to ‘sustainability practices’. On the other hand, Triple Bottom Line (Figure 4) belongs to performance outcomes. However, the circular economy, especially innovation and CSR, are located closer to the intersection, as they are a mixture of the two concepts.

Corporate social responsibility

The reason behind the increasing importance of CSR activities is the necessity to balance long-term higher-level corporate goals with short-term profit requirements in order to ensure not only the financially successful operations of companies but also to be able to protect the society, the key resources and the global environment within which the company operates. These factors are all essential to all organisations for long-term survival. In addition, environmental concerns are more widespread and there is urgency for companies to adjust their production and services in line with the demands for corporate responsibility. (Jolink, and Niesten 2015) As Carroll (1983) wrote “corporate social responsibility involves the conduct of a business so that it is economically profitable, law-abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm’s ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent”. According to Kitzmueller and Shimshack (2012), corporate social responsibility (CSR) refers to “corporate social or environmental behaviour that goes beyond the legal or regulatory requirements.” Because CSR activities represent a higher intent for organisations to act not only with the minimum required level of compliance, but also a step further: to take less and to give back and do more both to the society and to the environment in order to be able to use the global resources and the local possibilities for longer time period. This means not exploiting the present opportunities, being moderate in consumption, and being conscious in daily operation and long-term decision-making. Furthermore, CSR is characterized as voluntary behaviour: “as actions that appear to further

some social good, beyond the interests of the firm and that which is required by law.” (McWilliams and Siegel 2001)

CSR’s role in FBs

Family businesses are increasingly recognized for their distinctive approach to corporate social responsibility, often driven by long-term orientation, legacy concerns, and embedded social values. Empirical studies have shown that family firms tend to exhibit stronger CSR commitments than non-family firms, particularly in relation to local community engagement and environmental stewardship (Dyer and Whetten 2006, Block and Wagner 2014). Stakeholder engagement plays a central role in shaping these strategies, as family owners often maintain close, trust-based relationships with employees, customers, and community members, which enhances responsiveness to stakeholder expectations (Mitchell et al. 1997). Moreover, the sustainability agenda in family firms is frequently intertwined with the desire to preserve the business for future generations, resulting in investments in eco-innovation, resource efficiency, and ethical supply chains (Berrone et al. 2012). However, the intensity of CSR practices in family firms can vary significantly depending on generational stage and governance structures, with later-generation firms generally exhibiting more formalized and strategic CSR approaches (Campopiano and De Massis 2015). These findings suggest that social responsibility in family firms is not only a function of ethical values but also a dynamic response to evolving stakeholder relationships and long-term sustainability goals.

Implementation and public perception of CSR practices in FBs

When one is searching for the roots of CSR activities in the case of family businesses, the Pyramid of Corporate Social Responsibility by Carroll (1991) can help (Figure 5). A connection between long-term family-related priorities originated from distinctive familiness of FBs, and CSR levels can be explored.

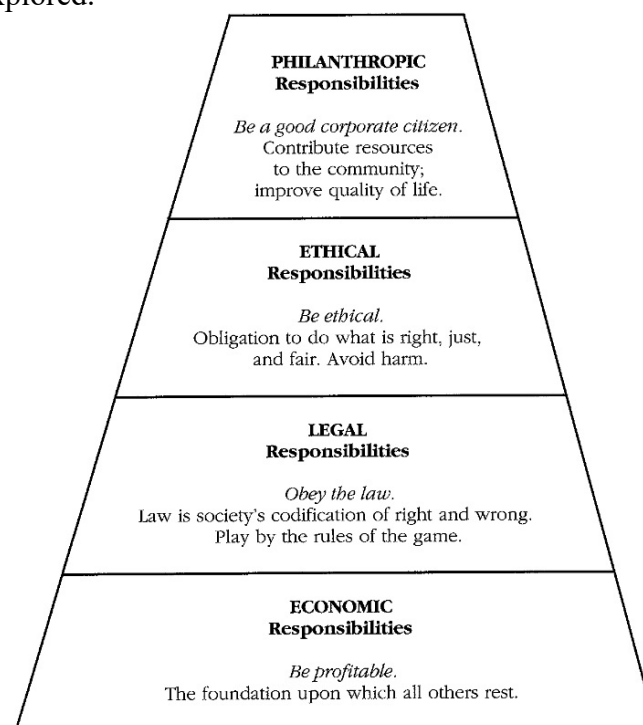


Figure 5: *The Pyramid of Corporate Social Responsibility*
Source: Carroll (1991)

In the case of family businesses, the importance of family-related priorities and long-term family goals are essential factors that define both day-to-day operations and strategic decision-making. They are principals beyond financial targets and legal requirements, which are the common features of CSR approaches.

The reason why CSR is important for FBs rooted in the following three factors. For family businesses, social and ethical values are deeply integrated into the operations, a higher stakeholder engagement and community involvement characterising FBs, also long-term value creation is a principle for FBs combined with transgenerational value creation and dynastic attempts. These characteristics and principles help FBs to naturally implement CSR practices into their operations without any extra effort required.

However, FBs may vary in size: most of them are small and medium size enterprises. That is why it is important that it should be researched that the implementation of CSR in organizational practices is not a direct function of company size. While firm size does not, by definition, determine the CSR implementation approach: size implies a range of organizational characteristics, some of which are more, others are less advantageous for implementing CSR. (Baumann-Pauly et al. 2013) Although, public perceptions do not accurately capture the status of CSR in large and small firms, smaller firms are not necessarily less advanced in organizing CSR than large firms. The implementation of CSR is not directly a function of company size. On the one hand, small firms possess several organizational characteristics that are favourable for promoting the internal implementation of CSR-related practices in core business functions, but constrain external communication and reporting about CSR. On the other hand, large firms possess several characteristics that are favourable for promoting external communication and reporting about CSR but constrain internal implementation.

Stakeholder engagement

Moreover, stakeholder engagement also plays a critical role in the sustainability and success of family businesses, which are often characterised by unique dynamics involving both emotional and economic dimensions. Unlike non-family firms, family businesses must navigate complex relationships between internal stakeholders – such as family members, employees, and owners – and external ones, including customers, suppliers, and the broader community (Mitchell et al. 1997). Effective stakeholder engagement facilitates trust, enhances reputation, and ensures alignment between business goals and stakeholder expectations, which is particularly vital for family firms aiming for transgenerational continuity (Cennamo et al. 2012). Furthermore, engaging stakeholders helps mitigate potential conflicts arising from overlapping family and business interests by promoting transparency and inclusivity in decision-making processes (Sharma, and Irving 2005). Consequently, family firms that actively involve stakeholders are better equipped to adapt to environmental changes, maintain legitimacy, and foster long-term relationships that support business performance, family legacy and corporate social responsibility practices.

Limitations

While this paper provides a focused theoretical examination of the selected topic, several limitations must be acknowledged. First, the scope of the analysis is necessarily constrained by the theoretical framework employed, which may not capture the full complexity or variability of the phenomena under investigation. Additionally, the paper adopts a limited contextual or sectoral focus, which restricts the generalizability of its findings to broader settings. Due to these constraints, certain dimensions – such as longitudinal effects, cross-cultural variations, or deeper stakeholder perspectives – remain underexplored. These limitations do not undermine the relevance of the significance of social responsibility in family businesses, but rather

highlight the need for a more comprehensive approach. Therefore, the exploration of these overlooked aspects and the validation of the present conclusions across a wider empirical and theoretical landscape will be the task of future research. Expanding the inquiry in subsequent studies will contribute to a more nuanced and holistic understanding and deeper empirical research of the topic.

Conclusion

As we know, family businesses play a pivotal role in the global economy. Also, sustainability is essential factor for organisational survival. The unique blend of familial values, long-term orientation, and entrepreneurial spirit of FBs should be examined from the point of CSR approaches. Family businesses are increasingly making an impact in the realm of Corporate Social Responsibility (CSR) as family businesses often embed their social and ethical values deeply into their operations, which may lead to a more holistic approach to social responsibility. The relationship between family business dynamics and sustainability is a unique blend which helps FBs to outperform their non-family counterparts in the implementation of sustainability practices.

With the help of the SEW concept, we can have a deeper understanding of the motivations behind CSR initiatives in family-owned firms, especially in the context of sustainability, philanthropy, and community involvement. Moreover, trans-generational focus provides a distinct advantage in balancing profitability with societal impact, which shows new perspectives on how family businesses can leverage their unique attributes to enhance their CSR efforts thus fostering long-term value creation for both the business and the wider community. As Carroll (1991) formulated “social responsibility can only become reality if more managers become moral instead of amoral or immoral” (p. 39).

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