WITTEN INSTITUTE FOR FAMILY BUSINESS

WITTEN/HERDECKE UNIVERSITY

STUDY

SUSTAINABILITY IN FAMILY BUSINESSES

COST FACTOR, DRIVER OF INNOVATION, OR ENTREPRENEURIAL RESPONSIBILITY?

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CONTENTS

Foreword 4

Executive summary 5

1. The sustainability dilemma of family businesses 9

2. What is sustainability? 11

3. How do family businesses treat sustainability? 16

3.1. In which areas do family businesses practice sustainability? 16

3.2. What motivates family businesses to practice sustainability? 20

3.3. How does commitment to sustainability benefit family businesses? 23

3.4. What influences family businesses' commitment to sustainability? 29

4. Which strategic groups exist regarding sustainability in the family business context? 40

5. Conclusion and recommendations for action 43

Annex: Data collection and analysis 47

Bibliography 53

List of figures 55

Contact 57

FOREWORD

Sustainability has been widely talked of, not just since the “Fridays for Future” movement, but for over 50 years. The beginning of the European debate on sustainable management can be traced back to the founding of the Club of Rome in 1968 and the publication of its report “The Limits to Growth” in 1972. Since then, many of the predictions made in this report have come to pass, although the political response has lagged behind. In the mid-1990s, a social dimension was added to the issues of sustainability and environmental protection. With the burgeoning criticism of globalization, the consequences of Western consumer behavior on global value chains were addressed, in particular, the use of child and slave labor and the inhumane working conditions highlighted, first, in the raw materials and textile industries and, later, also in the electronics industry. Here, too, corresponding political reactions followed later, such as the recent ban on work contracts in certain industries or the Supply Chain Act. Through this added social dimension, economic sustainability received equal consideration. The resulting three-pillar model of the economy, society, and the environment has since dominated sustainability discussions in business and society.

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The role of entrepreneurs and businesses remains unclear, despite lengthy disputes in economic research since the post-war era. One side argues that entrepreneurship needs social legitimacy, i. e. that businesses must meet social and environmental expectations, while the other believes that businesses are committed only to their shareholders and that the market provides efficient solutions to social and ecological problems. Interestingly, this bitter battle of opinion has been fought primarily in Anglo-Saxon countries, while businesses in Continental Europe are seen by historians and economists as being strongly embedded in society, as a result of, for example, family ownership and significant government intervention in the market.

It is therefore even more exciting now to answer these questions from the perspective of—and for—family entrepreneurs: do family entrepreneurs practice their societal responsibility for their own sake? Does sustainable entrepreneurship only follow the pressure of the markets and only if it benefits the (controlling) family owners? Or do family businesses merely bow to the pressure to socially legitimize their actions or even government intervention? Family entrepreneurs should also be interested in the well-known three pillars of sustainability: do social and environmental commitment come at the expense of business success or can they become a driver of innovation and thus fuel the company’s long-term business success? In this study, our team of researchers set out to answer these social questions and clarify the role of family entrepreneurship in this area of conflict. We hope to provide insights to our readers from business families and family businesses, sparking reflection on their own attitudes and activities concerning sustainability and providing suggestions for the strategic development of these activities.

Witten, April 2021

Marcel Hülsbeck, Andreas Hack, Maike Gerken, Robin-Alexander Ernst

EXECUTIVE SUMMARY

1) Family businesses are especially committed to their employees and the environment.

This study demonstrates that family businesses pursue various sustainability activities but are particularly committed to their employees and the environment. As regards employees, the health and safety of the workforce and preventing discrimination come first. Where the environment is concerned, saving energy and resources and reducing pollution are the top priorities. In social matters, family businesses tend to focus their attention locally rather than in developing countries and are more likely to monitor general compliance with labor laws in their supply chain than environmental protection or the combating of corruption by their suppliers.

2) The majority of family businesses consider sustainability to be both a social obligation and a business opportunity.

Family businesses primarily see the benefits of sustainable commitment. The majority of family businesses believe, in particular, that it may be profitable to contribute to solving social problems and that social responsibility forms an effective basis for market competition. Furthermore, family businesses are more likely to see issues from a social than a business perspective and believe that, as part of society, they must respond to social issues, rather than focusing only on business growth. Nonetheless, there remain family businesses that consider sustainability to be a cost factor with no significant benefits to the family business and do not see themselves as responsible for solving social problems.

3) Family businesses often adjust their business models to sustainability projects.

Sustainability projects often lead to adjustments to the business model and may change a company's value proposition, value creation logic, and revenue model. For value propositions, family businesses particularly adjust product and service offers or attempt to position their business to practice greater sustainability, while the target groups often remain unchanged. For value creation logic, family businesses often acquire new competencies and processes that enable them to establish sustainable products and processes, while existing partners and channels are often maintained. Compared to value propositions and value creation logic, revenue models are rarely adjusted as a result of sustainability projects. Where revenue models are adjusted, however, sustainability measures appear to alter cost structures rather than the fundamental logic of how the business generates revenue.

4) Sustainable family businesses often display greater financial and non-financial performance capacity.

A common reason for committing to sustainability is the expectation of positive effects for the business. Regarding the influence of sustainability on non-financial performance, data show that the most sustainable family businesses display a higher degree of innovation, are more attractive employers, and have a more positive company image. If a company cares about the well-being of its employees, this may benefit its reputation in the labor market and society. Likewise, improving the environmental quality of products may result in greater innovative capacity. The data also make clear that businesses with a greater commitment to sustainability perform somewhat better financially than those less committed to sustainability. Even where the differences between operating margins and return on equity are marginal among groups, there is a positive correlation between commitment to sustainability and revenue growth, which may be enhanced by improved innovative capacity and strengthened reputation.

5) The greatest pressure to introduce sustainability measures is exerted by the business family, followed closely by customers, governments, and employees.

From a business perspective, the business family has the greatest influence over the introduction of sustainability initiatives, and many family entrepreneurs speak of their high intrinsic motivation to commit to sustainable practices. Nonetheless, family businesses also experience pressure from external interest groups regarding the concerns of the business and its suppliers. The second-largest driver of sustainable commitment in family businesses is said to be customers, who frequently consider sustainable behavior in their purchasing decisions. Family businesses are also subject to pressure from lawmakers and other regulatory authorities, and employees may also exert pressure as a result of the concerns of the workforce, who want fair and attractive employers. Suppliers, citizens' initiatives, non-governmental organizations, the media, and the capital market exert comparatively little pressure on family businesses to introduce sustainability activities.

6) Diversity in management and supervisory functions has a positive effect on family businesses' commitment to sustainability.

Although the family businesses acting most sustainably have various governance structures, management by a family member rather than an external person appears generally to have a positive effect on the commitment to sustainability. The same applies to controlling bodies. However, this does not mean that managerial family influence always results in a greater commitment to sustainability. If the share of family members in management or controlling bodies is too high, commitment to sustainability will be lower. This suggests that a balance between family members and non-family members in management has a positive effect on a company's commitment to sustainability. The positive influence of diversity in management is also seen when including younger family members, where a positive correlation between commitment to sustainability and the numbers of family managers and shareholders under 40 years of age can be observed. Sustainability is therefore especially of concern to successor generations who want it to be part of the family business.

7) Family members' socio-emotional wealth is a core driver of commitment to sustainability.

Family members who identify strongly with the family business feel emotionally attached to it and have strong social relationships with employees and suppliers and greater interest in maintaining the family tradition across generations. This often results in a greater commitment to sustainability, for several reasons. For one, family members often feel obliged to look after their workforce if they consider it part of the family. Moreover, social recognition and a positive business reputation are often important to family members. A high socio-emotional capacity, therefore, especially affects the business and environmental commitments of which the public is most awar.

8) Family businesses are also motivated to assume social responsibility in difficult times.

The degree of commitment to sustainability and how much a family business can afford to invest in sustainability are largely believed to be determined by its financial situation. However, this study will demonstrate that the financial situation has only a marginal effect on the degree of commitment to sustainability. Family businesses are also motivated to assume social responsibility in difficult financial times—when sustainability is perceived more as a cost factor. Nonetheless, having basic equipment of organizational resources increases the willingness to take on social responsibility and see this as a business opportunity.

9) Four strategic groups of family businesses may be distinguished for sustainability.

Based on statistical analyses (cluster analyses), the businesses surveyed may be divided into four groups. The first, described by this study as *altruistic profit maximisers*, is strongly committed to all dimensions of sustainability, as it considers itself part of society, but also expects benefits from its commitment. Such business families feel a strong socio-emotional attachment to their family business and lead efforts towards sustainability. The so-called *sustainability traditionalists* are committed to sustainability in selected areas and invest in selected sustainability projects that significantly affect the business model. However, they only tend to act because of external pressure and are not committed where they do not feel obliged. *Undecided altruists* believe that their business should demonstrate social commitment, but do not expect great benefits from this. Since they face little pressure to act, they merely do what is necessary, showing sporadic commitment without greatly altering their business model. *Traditional profit maximisers*, which form the last group, generally engage in little commitment for cost reasons. They focus on profit maximization, not on solving social problems. They experience little external pressure and therefore do not fear competitive disadvantage from a lack of commitment.

10) Entrepreneurial responsibility starts in and has positive effects on the business family.

The basis for designing a consistent strategy for sustainability is a common understanding among family members about the motivation for, and the objective of commitment to, sustainability in the business. Sustainability should be included in family strategy discussions to jointly prioritize fields of action. Support from the business family is an important factor not only in initiating but also shaping sustainability projects to benefit both society and the business. Businesses must not misinterpret low external pressure and should also reinvest in sustainability projects in good times in order not to fall behind. Furthermore, fresh input must be allowed, whether through stronger involvement of non-family management or the younger generation of family members. This may also prepare potential successors for future managerial tasks and strengthen their socio-emotional bond with the business.

1 | THE SUSTAINABILITY DILEMMA OF FAMILY BUSINESSES

Does a family entrepreneur not fulfil the greatest social responsibility for their business family, employees, and customers by ensuring the company's continued existence? Or should they, as part of society, actively contribute to solving social problems, even if this means forfeiting profit? There appear to be family businesses with strong proponents of sustainability and businesses that are less sustainable.[1] For many family entrepreneurs, commitment to sustainability is a matter of the heart, while others pursue economic rather than social or environmental aims. Various motivational profiles exist, from more altruistic to profit-oriented motives to disdain.[2] Although some researchers believe that family influence provides a positive stimulus for a business's commitment to sustainability, others claim the opposite is true. The former refers to family businesses' strong bonds with society, social ties to employees and suppliers, their long-term focus, and their great interest in a positive business image (and thereby family image). The latter emphasize the preferential treatment of family members over others, the high degree of self-interest or even nepotism, low pressure from external interest groups, and the general reluctance to invest, including sustainability projects.[3]

However, the decision to strengthen a family business's commitment to sustainability may bring many benefits. For an increasing number of customers, a business's commitment to sustainability is a factor in their buying decisions.[4] A sustainability strategy may therefore contribute to business success. Moreover, social commitment helps family businesses cultivate a positive image, establish stronger relationships with interest groups, reduce external risk, and increase the long-term likelihood of business survival.[5]

For this reason, family business research has focused increasingly on sustainability.[6] Areas frequently studied included the relationship between sustainability and performance capacity, or whether family businesses are more sustainable than public enterprises. However, no clear answers to these questions have been found because of the influence of various factors at the individual, organizational, and institutional levels.[7] Individual values, personal characteristics, and experiences of management may permanently affect the commitment to sustainability. Likewise, organizational conditions such as business size, business culture, or management composition may influence sustainability profiles. The general business strategy also appears to be a factor: for example, businesses with a greater focus on managerial excellence and less interaction with the public may feel less obliged to engage in sustainability than market leaders that can generate marketing advantages through effective public engagement. Equally, at the institutional level, regulations or stakeholder pressure can affect the business. The sum of these factors results in a specific approach to sustainability.[8] However, the interaction between these factors remains a mystery,[9] leaving unanswered questions for family entrepreneurs. Which factors promote sustainability in a business? How do the family's aims and governance structures affect its commitment to sustainability? And what benefits does a commitment to sustainability bring to family businesses?

This study investigates the influence and effects of various factors that are of particular relevance to sustainability research in the family business context. The objective of the study is to determine the areas in which family businesses are committed to sustain-

[1] Le Breton-Miller and Miller (2016)
[2] Déniz-Déniz and Cabrera-Suárez (2005)
[3] Le Breton-Miller and Miller (2016)
[4] Du et al. (2007)
[5] Aguinis and Glavas (2012)
[6] Kuttner and Feldbauer-Durstmüller (2018)
[7] Aguinis and Glavas (2012)
[8] Aguinis and Glavas (2012)
[9] Broccardo et al. (2019)

ability, to identify their motivations and the factors on which these decisions are based, and to ascertain the implications of a commitment to sustainability on business performance. To answer these research questions, we developed a survey with 107 questions and scientifically validated measurement tools taken from sustainability and business model research and social psychology. The participants were 360 members of family businesses from Germany, Austria, and Switzerland, 91% of whom perform executive functions. The majority (86%) of the businesses are fully family-owned and represent a broad range of industries. The family businesses surveyed, therefore, represent the middle class in all its facets and across the range in terms of the size and age of businesses. An extensive explanation of the methodology and structure of the study is provided in the Annex.

Following a brief introduction to sustainability, we will discuss the areas in which and reasons why family businesses are committed to sustainability. We will then determine the factors influencing a commitment to sustainability, and the effects of this commitment, to derive strategic groups with different approaches to sustainability in family businesses. Finally, we will offer recommendations for action to assist family businesses in designing strategies for sustainability.

2 | WHAT IS SUSTAINABILITY?

Even before modern research on sustainability began in the 1950s, sustainable businesses existed. In some ways, even the patronage of education, arts, and culture by the Medici or the Fugger could be considered a commitment to sustainability. It is only in recent decades, however, that sustainability has gained in importance after many public discussions, scandals and environmental programs. Nonetheless, there is still no uniform understanding of the term "sustainability" which is often mistakenly equated with environmental protection or philanthropy in today's society. Before further discussion, it is therefore important to understand how this study defines the term "sustainability" and on which aspects of sustainability it focuses.

The term "sustainability"

Sustainable development means development that meets the needs of the present without compromising the ability of future generations to meet their own needs. This definition from the UN's World Commission on Environment and Development[10] suggests that businesses should not maximize profit at the expense of other humans or the environment, but should not lose sight of the economic efficiency which forms the basis for business survival and, thereby, a long-term commitment to sustainability. This simultaneous pursuit of economic, social, and environmental objectives should, according to the widely accepted "Triple Bottom Line", be the maxim for sustainable business.[11] This study, therefore, defines a **commitment to sustainability in the business context** as **context-specific organizational measures and policies that consider the interests of various interest groups and economic, social, and environmental objectives**.[12]

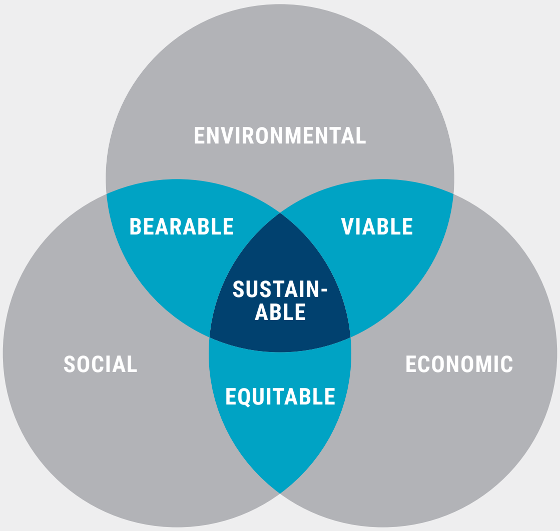

Figure 1: Commitment to sustainability[13]

[10] World Commission on Environment and Development of the UN (1987, p. 43)
[11] Elkington (1997)
[12] Aguinis (2011, p. 858)
[13] Own figure

Focus of this study

Despite the importance of this topic, little is known about which circumstances influence family businesses' commitment to sustainability.[14] Therefore, this study provides a nuanced view of the influence of the various factors particularly relevant to sustainability in the family business context. The objective of this study is to determine the areas in which family businesses engage in a long-term commitment, their motivations for so doing, the factors on which these decisions are based and the implications of this commitment to sustainability on business performance (cf. Figure 2).

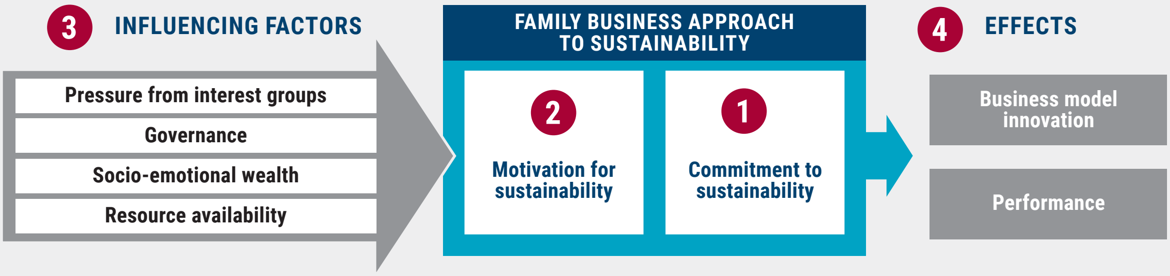

Figure 2: Research focus of the study

1 COMMITMENT TO SUSTAINABILITY: IN WHICH AREAS DO FAMILY BUSINESSES PRACTICE SUSTAINABILITY?

Sustainability is often associated with environmental and resource conservation; in reality, sustainability is a more complex phenomenon that may and should apply to several business-internal and external interest groups. In the context of this research, four dimensions of sustainability relevant to family businesses may be identified: society, the environment, employees, and suppliers.[15] The society dimension includes charitable involvement and support for welfare organizations both locally and in developing countries. Issues relating to the environment involve conserving resources and energy, reducing pollution, and measuring impacts on the environment. For their *employees*, businesses are committed to safety, health, and well-being and the promotion of equal opportunities and diversity. As part of their responsibility for their supply chain, businesses push *suppliers* for improvements in environmental protection, anti-corruption, and the working conditions of their employees.

[14] Broccardo et al. (2019)
[15] El Akremi et al. (2018)

2 MOTIVATION FOR SUSTAINABILITY: WHAT MOTIVES LEAD FAMILY BUSINESSES TO PRACTICE SUSTAINABILITY?

To understand a family business's investment in sustainability, it also important to understand the reasons why the business is committed to sustainability. Motivations may be categorized into two main dimensions.[16] The first dimension relates to a business's expectations of sustainability projects. Businesses with a *cost orientation* regard commitment to sustainability primarily as a cost factor and find the minimum legal requirements for sustainability sufficient. In contrast, businesses with a *benefits orientation* consider social commitment to be an effective basis for market competition, through which they hope to obtain advantages, such as profitable business opportunities or bypassing regulations. The second dimension relates to how businesses perceive their role in society. Those with a *business orientation* view themselves as profit maximizers and believe that society does not benefit from businesses engaging in activities other than generating revenue. In turn, businesses with a social orientation also feel responsible for solving social problems as part of society if they have the money and talent to promote sustainability.

3 INFLUENCING FACTORS: WHAT INFLUENCES FAMILY BUSINESSES' COMMITMENT TO SUSTAINABILITY?

To understand the circumstances affecting family businesses' decisions concerning sustainability, we examined various influencing factors that are of particular relevance to sustainability research in the family business context. As the prioritization of sustainability activities is often influenced by demands from internal and external interest groups, we studied the *pressure from various interest groups* to introduce sustainability measures, that is, the amount of pressure exerted by the shareholder family, customers, the government, employees, suppliers, citizens' initiatives, the media, non-governmental organizations, and the capital market. Furthermore, we studied the influence of its *governance structure* on a business's commitment to sustainability. This includes the degree of control by the business family (the share of family members in management and controlling bodies) and the involvement of family members aged under 40 in executive functions. To understand the influence of the business family's objectives and values, the *extent of the socio-emotional wealth* of the business family was determined. This measures the importance of the business to family members apart from financial objectives, based on the degree to which family members identify with the business, their social and emotional attachment to it, and the importance they attach to transferring the family business to future generations. To assess the overall situation of the business, the extent to which it has sufficient financial and organizational resources, and the capacity for sustainability projects, this study also takes into account the resource availability of the business.

[16] Déniz-Déniz and Cabrera-Suárez (2005)

4 EFFECTS: HOW DOES A COMMITMENT TO SUSTAINABILITY BENEFIT BUSINESSES?

A common reason for committing to sustainability is the expectation of positive outcomes for the business, whether in the form of improvements to the business model or to performance capacity. Businesses wanting to practice sustainability often have to consider adjustments to value creation processes and resources that would not otherwise be questioned. This may stimulate innovation that often results in changes to the business model. Such *business model innovation* may occur in various areas.[17] Sustainability projects may change value propositions, i.e. their product and service offering, target customers, and even market positioning, but also general value chain logic, i.e. their core competencies and resources, internal value creation processes, and the functions of external partners and distribution channels. In some cases, sustainability initiatives may even lead to revenue model adjustments in the logic of income and costs. To investigate the relationship between commitment to sustainability and *performance capacity*, in addition to business model innovation in the family business context, we collected both financial performance indicators (revenue growth, operating margins, and return on equity) and non-financial performance indicators (business reputation, attractiveness as an employer and ability to innovate).

To summarize the findings from these four research topics, we used cluster analysis to determine the strategic groups relating to sustainability among family businesses and the recommendations for action for each group.

[17] Spieth and Schneider (2016)

Side Note: Sustainable Development Goals of the UN

Since 2015, the 17 Sustainable Development Goals of the UN have formed the global agenda for sustainable development and have replaced the Millennium Development Goals. The aim of the agenda is to promote prosperity while protecting the environment, recognizing that ending poverty must go hand-in-hand with strategies that build economic growth, and addressing a range of social needs including education, health, equality, and job opportunities while tackling climate change and working to preserve our oceans and forests. These 17 Goals are further divided into 169 targets to be achieved globally by all UN member states by 2030. For this, the UN is asking not only governments but also society at large, the scientific community, and the private sector to actively contribute to sustainable development.

To assist businesses with reaching these Global Development Goals (especially concerning labor laws, environmental protection, and combating corruption), the UN has founded the UN Global Compact Initiative for responsible business management and has published a framework with guidelines, practical instructions for action, and useful aids. More than 13,000 businesses and organizations have joined the Initiative. This Initiative does not consider itself a regulatory instrument, but an open forum for exchanging ideas and developing solutions to promote sustainable development by business.

Figure 3: 17 Sustainable Development Goals of the UN[18]

[18] Text and image source: UNRIC – Regional Information Centre for Western Europe of the United Nations https://unric.org/en/united-nations-sustainable-development-goals/

3 | HOW DO FAMILY BUSINESSES TREAT SUSTAINABILITY?

The results will be explained hereafter in the order of the research questions, that is, according to the studied areas of sustainability, underlying motivation, effects on performance capacity and business model innovation of the business, and specific factors influencing a commitment to sustainability. The data present a differentiated view of family businesses' treatment of sustainability. Family businesses, it appears, consider sustainability both an entrepreneurial opportunity and a social responsibility which they want to bear even in difficult times. Their high level of commitment, especially to employees and the environment, is often rewarded in the form of a strong business reputation, attractiveness as an employer, and innovative ability. There are also positive correlations between a commitment to sustainability and the financial performance of the businesses surveyed. The greatest driving force in introducing sustainability measures is often the business family itself, followed closely by its customers, its employees, and the government. High socio-emotional wealth and diversity in management and supervisory functions have especially positive effects on the commitment to sustainability.

3.1 | IN WHICH AREAS DO FAMILY BUSINESSES PRACTICE SUSTAINABILITY?

The data clearly show that family businesses pursue a broad range of sustainability activities but are especially committed to their employees and the environment. However, this appears to depend on the size of the business. Larger businesses tend to display a greater commitment to society, the environment, and supply chain sustainability than smaller businesses. This may often be due to the greater resources available to larger businesses, which can therefore more easily afford investments in sustainability projects or have institutionalized processes to monitor their supply chain. However, it is noteworthy that this relationship to size is not seen in the employee dimension: small and medium-sized family businesses are as committed to their employees as large businesses.

Figure 4: Degree of commitment to sustainability[19] per dimension, by number of employees

[19] The following bar charts are based on a scale of (1) “strongly disagree” to (6) “completely agree”, unless stated otherwise

A closer look at the activity profile within each sustainability dimension reveals that family businesses show a greater degree of local commitment and are more likely to support regional clubs, sports, and churches than humanitarian projects in developing countries. This may be explained by the close ties between many family businesses and local society.

Figure 5: Degree of commitment to sustainability concerning society

The conservation of energy and resources is the top priority in the environmental dimension and positive effects on economic efficiency can be seen directly here. The reduction of pollution at the workplace by businesses and their employees and the use of clean technologies are also important, while measuring the effects of activities on the environment is less widespread. However, it should be noted that larger businesses measure their environmental impact to a wider extent and that such measures depend on the industry; for example, measurements are more common in manufacturing industries and the transport sector than in retail.

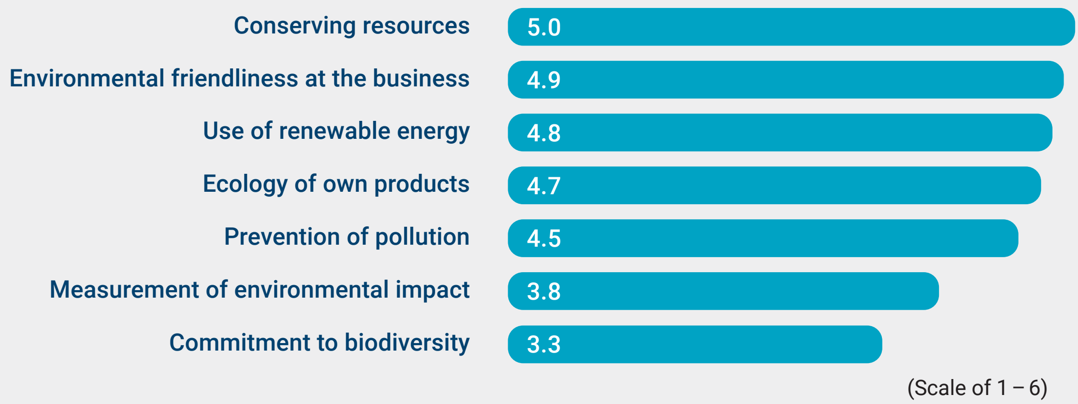

Figure 6: Degree of commitment to environmental sustainability

The highest priorities in the employee dimension are safety and health. Reducing discrimination and promoting equal opportunity are also important. Matters such as work-life balance or promoting diversity among employees at the workplace are of lower priority, on average, among the businesses surveyed.

Figure 7: Degree of commitment to sustainability regarding employees

Furthermore, the family businesses surveyed monitor their suppliers' compliance with basic minimum requirements in, for example, labor laws or the working conditions of their employees. Institutionalized monitoring of environmental protection or the fight against corruption in the supply chain is rarer, but also more relevant among larger businesses.

Figure 8: Degree of commitment to sustainability regarding suppliers

3.2 | WHAT MOTIVATES FAMILY BUSINESSES TO PRACTICE SUSTAINABILITY?

There is a broad spectrum of reasons for family businesses' commitment to sustainability, from the expectation that sustainability will provide greater competitiveness and business opportunities to a feeling of moral obligation. Motivations may be divided into two essential categories: whether a business has a greater cost or benefit orientation for sustainability projects and whether a business is more business or socially oriented. The results of this study make clear that family businesses primarily see the benefits of a commitment to sustainability. They especially believe that it may be profitable to contribute to solving social problems and that social responsibility may serve as an effective basis for increasing market competitiveness.

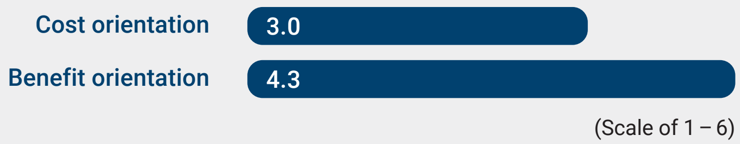

Figure 9: Type of sustainability motivation, cost vs benefit orientation

The findings also show that a high benefit orientation has positive effects on the business's commitment to sustainability in all areas. Thus, family businesses who recognize the value of and expect benefits from sustainability projects are more committed to society, the environment, their employees, and suppliers. In particular, the sustainability of the supply chain appears to depend on the business's underlying motivation. Businesses that primarily associate sustainability with costs display noticeably less commitment in the less publicly visible supplier dimension.

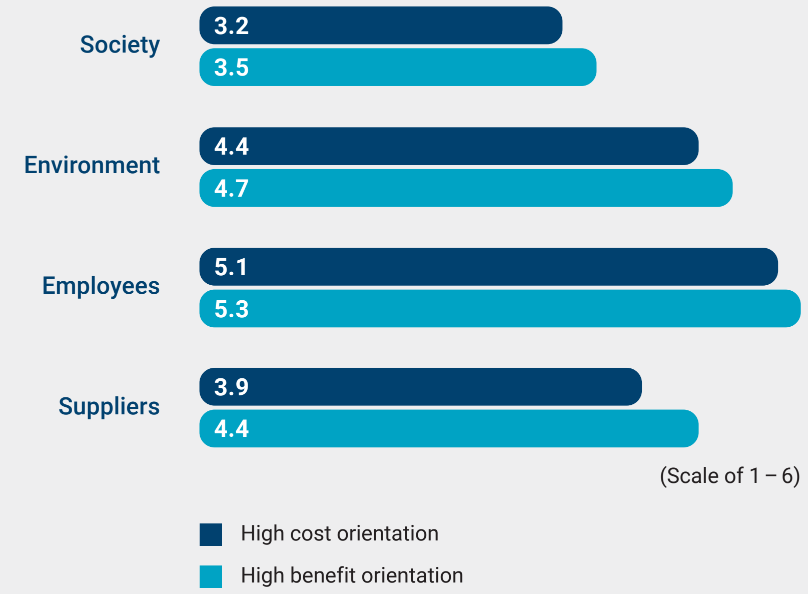

Figure 10: Degree of commitment to sustainability per dimension, by cost vs benefit orientation

In addition to greater benefit orientation, family businesses take a social rather than a business perspective and are of the view that, as part of society, they must respond to social problems, instead of concentrating solely on business growth.

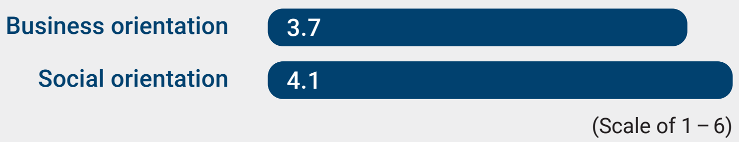

Figure 11: Type of sustainability motivation, by business vs social orientation

These findings make clear that, although a high level of social orientation normally results in a greater commitment to sustainability, it does not do so equally in all areas of sustainability. Businesses with a strong business orientation appear to be just as motivated in their commitment to employees as socially oriented businesses. This may be because family businesses generally feel more committed to their employees than to interest groups that are not part of the business or because family businesses expect business advantages, such as increased productivity, from an improved work environment. However, the same does not apply to social commitment: family businesses appear to be significantly more committed when they consider themselves part of society and limit their commitment when they focus more on business growth.

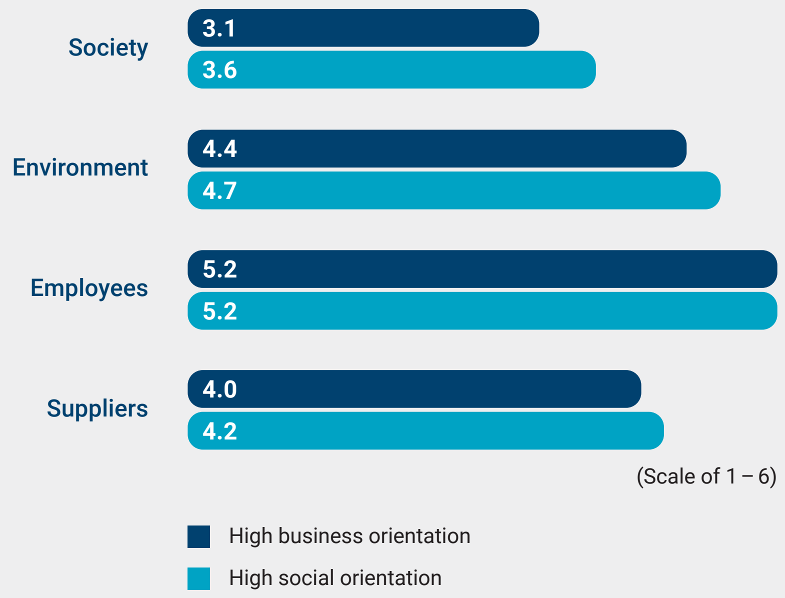

Figure 12: Degree of commitment to sustainability per dimension, by business vs social orientation

3.3 | HOW DOES COMMITMENT TO SUSTAINABILITY BENEFIT FAMILY BUSINESSES?

Most family businesses, especially those with a strong benefit motivation, appear to expect their commitment to sustainability to also benefit the business—whether through improvements to the business model or increased business performance capacity. Businesses that practice commitment to sustainability often have to consider adjustments to value creation processes and resources that would not otherwise be questioned. This may stimulate innovation, often resulting in changes to the business model. To investigate the potential effects on family businesses' performance capacity, in addition to business model innovation this study also examined the relationship between the commitment to sustainability and financial and non-financial performance indicators.

Business model innovation

The data show that family businesses often adjust their business model because of sustainability projects and that commitment to sustainability may affect all dimensions of the business model. A high commitment to sustainability, it is clear, may stimulate business model innovation and thereby change the business's value proposition, value creation logic, and revenue model.

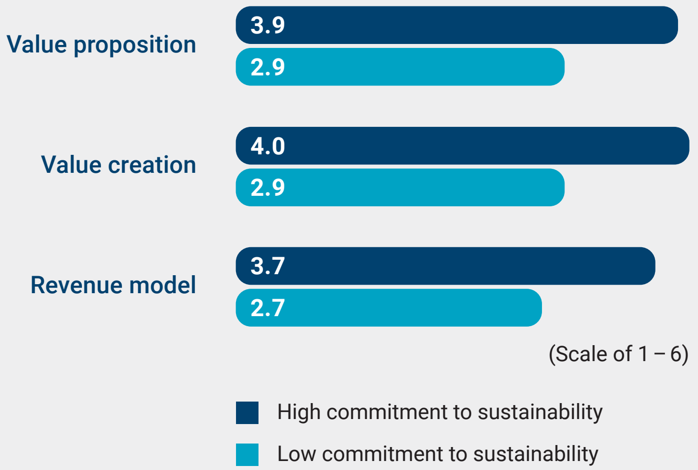

Figure 13: Degree of business model adjustment per dimension, by degree of commitment to sustainability

Where the value proposition is concerned, family businesses tend to make adjustments to their product and service offer or attempt to position their business more sustainably while maintaining target groups. A closer look reveals that product and service innovation, in particular, are stimulated by environmental projects and that improved environmental management is often used to improve the business's market position. Those businesses that consider themselves part of and want to give back to society (social orientation) and that regard sustainability projects as opportunities (benefit orientation) will make a greater effort to focus their entire business on sustainability and are more likely to change their market position than businesses which are more reluctant to implement sustainability (business orientation) or see sustainability as a cost factor (cost orientation).

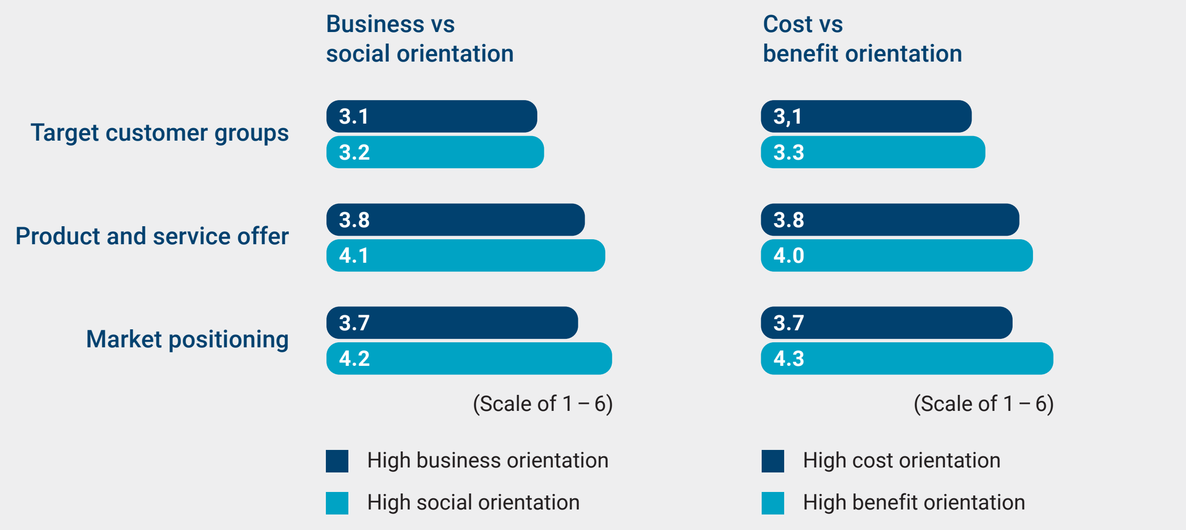

Figure 14: Degree of value proposition adjustment due to sustainability projects, by type of sustainability motivation

Where value creation logic is concerned, family businesses often acquire new competencies and processes that enable them to develop sustainable products and processes, frequently maintaining existing partners and channels. The positive effects of high social and benefits orientations on adjustments to core resources and value creation processes are noticeable. Family businesses that want to contribute to society appear willing to adjust their business model accordingly. If they also believe in a long-term positive return on investment from their sustainability efforts, they appear to be willing to invest in the establishment of new competencies.

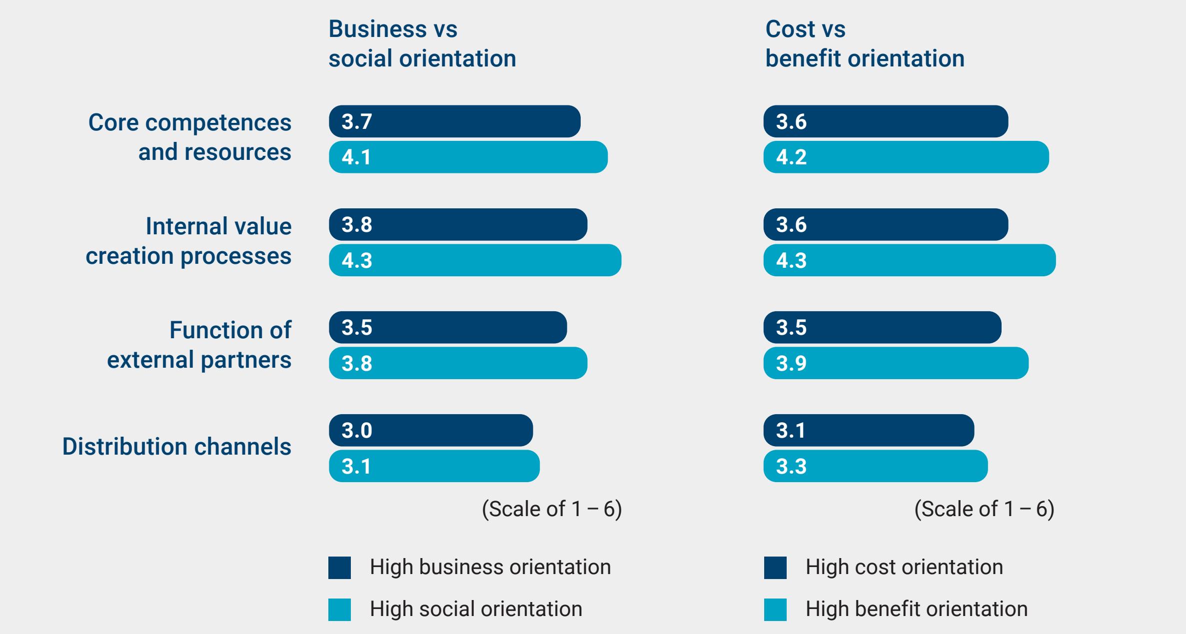

Figure 15: Degree of value creation and adjustment due to sustainability projects, by type of motivation for sustainability

Compared to the value proposition and value creation logic, revenue models are adjusted less frequently as a result of sustainability projects. Where this does happen, the sustainability measures appear to alter the cost structures rather than the fundamental logic of how the business generates revenue. While revenue mechanisms are more likely to be adjusted by businesses that believe in the positive influence of a commitment to sustainability on their business, the motivation of the business is almost irrelevant where adjustments to cost structures are concerned.

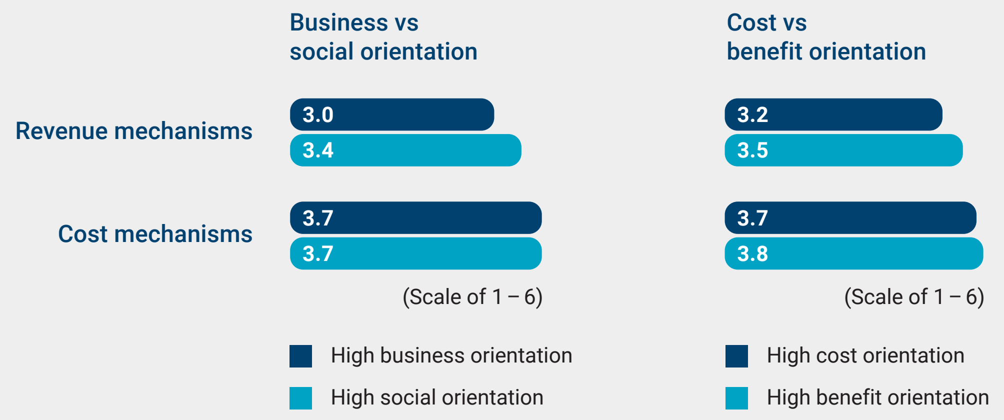

Figure 16: Degree of revenue model adjustment due to sustainability projects,
by type of motivation for sustainability

Performance capacity

As far as non-financial effects of commitment to sustainability are concerned, the surveyed businesses that have a greater commitment to sustainability also appear more innovative (with the more successful introduction of new products and services), are more attractive as an employer, and have a more positive business image.

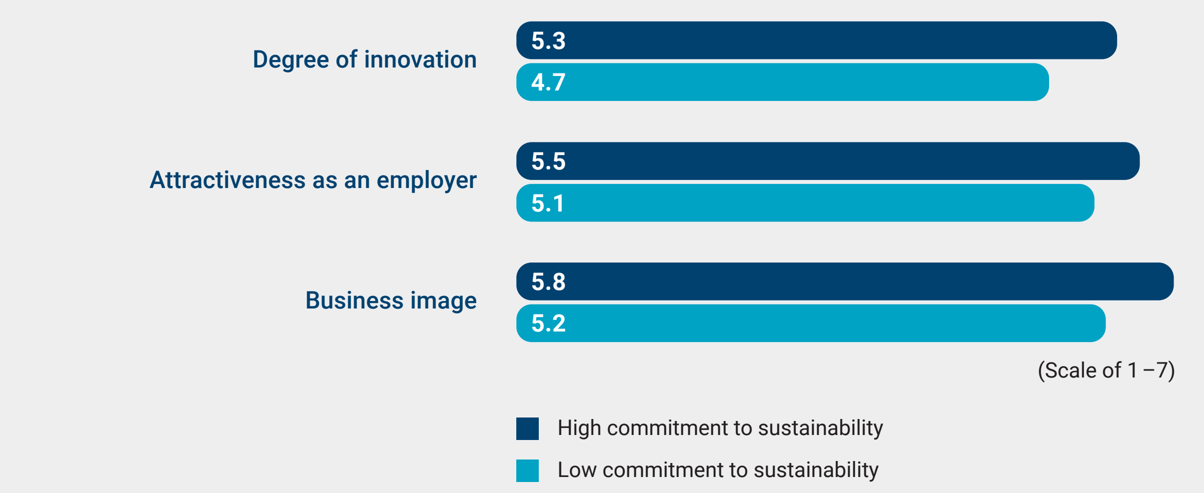

Figure 17: Non-financial performance capacity,[20] by degree of commitment to sustainability

Strong commitment in the employee dimension appears to have particularly positive effects on the reputation of a business among its employees and society. Businesses that care about the well-being of their workforce may attract greater interest from job-seekers on the labor market, and their image may benefit other interest groups. A positive correlation may also be observed between the commitment to sustainability, particularly in the environmental dimension, and the innovativeness of a business. Businesses that aim to improve the environmental quality of their products must often adjust product components, materials, or production processes which may result in greater innovative capacity.

[20] The bar charts showing financial and non-financial performance capacity are based on a scale of (1) "much worse" to (7) "much better" compared to other businesses in the same industry.

Apart from an improved innovative capacity and reputation, the data show that businesses with a strong commitment to sustainability display a somewhat stronger financial performance capacity than those less committed to sustainability. Even if the differences in operating margins and return on equity are marginal between the groups, there is a positive correlation between commitment to sustainability and revenue growth, which may be enhanced by improved innovative capacity and strengthened reputation. From research on sustainability, we know that sustainability may be rewarded, for example, when consumers take into account the sustainable image of a business in their buying decisions, or where innovation stimulated by sustainability projects results in product differentiation or increased productivity.[21] Additionally, the availability of financial resources may strengthen a commitment to sustainability. However, the following chapter will demonstrate that family businesses maintain their commitment to sustainability even during challenging financial phases[22] and that family businesses in a strong financial situation are not significantly more committed than others. The effect of commitment to sustainability on financial performance capacity is likely positive.

Figure 18: Financial performance capacity, by the degree of commitment to sustainability

[21] McWilliams and Siegel (2000)

[22] None of the surveyed businesses was insolvent.

3.4 | WHAT INFLUENCES FAMILY BUSINESSES' COMMITMENT TO SUSTAINABILITY?

Since relatively little is known about the decision-making regarding commitment to sustainability in family businesses,[23] this study focuses on factors specific to family businesses that may influence a commitment to sustainability. The significance of various interest groups, governance, socio-emotional wealth, and resource availability will be examined hereafter to understand the influence of the business family on the motivation for and the implementation of the commitment to sustainability.

Pressure from interest groups

The specific sustainability profile of a business is based on its proactive decision to increase its commitment to sustainability in certain dimensions more than in others. The priority of the sustainability dimensions is often influenced by pressure from interest groups[24] who have different requirements for sustainability from businesses and differ in the influence they can exert on decisions to introduce sustainability measures.

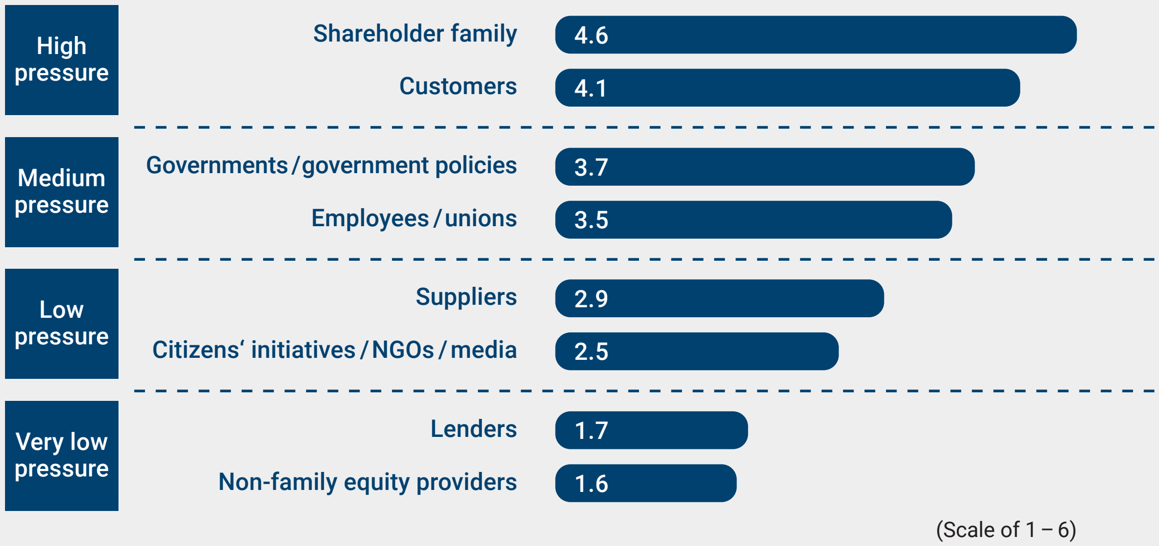

Figure 19: Degree of pressure exerted by various interest groups to introduce sustainability activities

[23] Broccardo et al. (2019)
[24] Stevens et al. (2005)

Family businesses experience significant pressure, particularly from their direct environment. From the perspective of a business, the greatest driver of sustainability is the shareholder family which may also be considered an interest group with its own objectives (e.g. long-term survival or control).[25] Customers, however, frequently exert great pressure on businesses by considering sustainable behavior (e.g. climate protection or fair production conditions) when making purchase decisions.[26] Family businesses in retail and transport feel significantly more compelled by customers to act sustainably than those in the construction or service sectors.

Family businesses experience medium pressure from lawmakers and other regulatory authorities who seek to balance business interests with public interests (e.g. environmental protection or resource conservation). In the view of the family businesses surveyed, more stringent regulations concerning sustainability are especially noticeable in construction and agriculture. Family businesses may also come under pressure from employees, particularly those organized in unions. Their demands often involve concerns of the workforce (e.g. work-life balance or codetermination) and they want a fair and responsible employer.

Also noticeable, but of less influence, is pressure from the expected circle of interest groups. Suppliers and subcontractors tend to exert pressure on a family business's commitment to sustainability less frequently, although they may act as essential drivers of sustainability in certain cases. Likewise, citizens' initiatives, non-governmental organizations (NGOs), and the media put comparatively little pressure on family businesses but may help shape public opinion on the business in the event of misconduct.

Of secondary importance, as regards external pressure, are capital market participants. Although equity providers (e.g. private equity firms) and lenders (e.g. banks) from outside the family often prefer to invest in sustainable businesses, for example, to minimize risk, family businesses experience little pressure from these interest groups because family businesses usually exercise little control externally and, therefore, tend to be less dependent on the capital market and its requirements than public enterprises.

Interestingly, because the shareholder family has the greatest influence on the introduction of sustainability initiatives, family businesses tend to feel motivated, rather than driven, by the demands of external interest groups. It can be seen that the business and social orientation often attributed to family businesses is encouraged by the controlling family's interest in sustainability.[27]

[25] For further details, see Rüsen (2020)
[26] Du et al. (2007)
[27] For further details, see Vöpel et al. (2013)

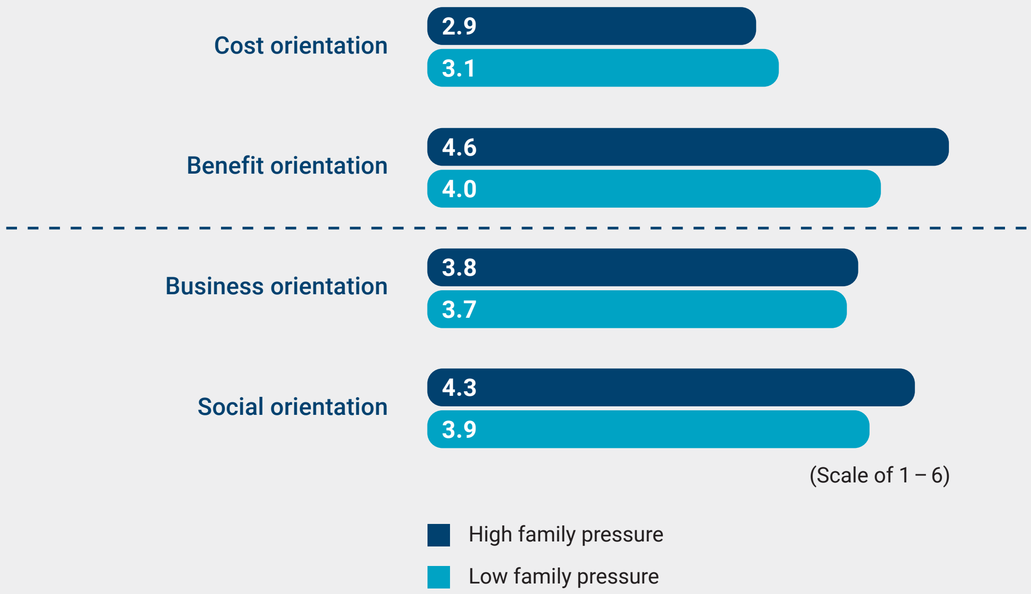

Figure 20: Type of sustainability motivation, by the degree of family pressure to introduce sustainability activities

There are clear differences between the areas of sustainability on which interest groups' demands focus. While the shareholder family focuses more on the introduction of environmental measures, other interest groups emphasize the sustainability of the supply chain. Only employees appear consistently to enjoy high importance, irrespective of whether the business commits to sustainability because of its intrinsically motivated shareholder family or due to external pressure. This demonstrates that both the family and external interest groups have significant influence over the areas in which family businesses commit to sustainability and their motivation for doing so.

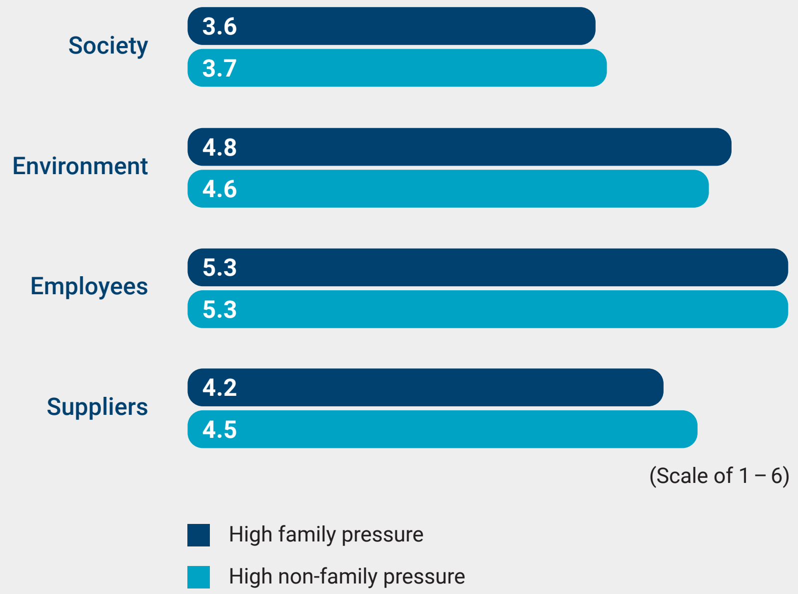

Figure 21: Degree of commitment to sustainability per dimension, by degree of family vs non-family pressure to introduce sustainability activities

Governance

Apart from the influence of interest groups, governance structure also plays a role in a business's commitment to sustainability. In family businesses, this particularly concerns the extent to which the business family exerts managerial control, that is, the proportion of executive positions or positions on controlling bodies occupied by family members.[28] Although governance structures vary between sustainable businesses, the data clearly show that management by a family member rather than a non-family member normally has a positive effect on a business's commitment to sustainability. The same applies to controlling bodies.

[28] For further details, see Obermaier (2020) and Kirchdörfer (2018)

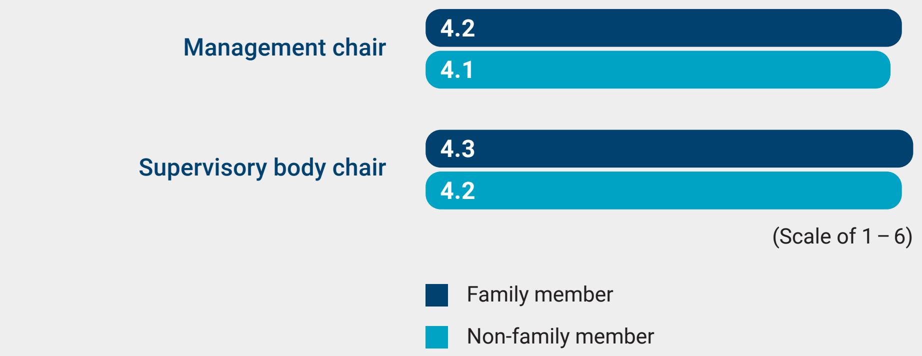

Figure 22: Degree of commitment to sustainability, by chairing of management and controlling bodies

However, managerial family influence does not automatically result in a greater commitment to sustainability. If the share of family members in management and controlling bodies is too high, commitment to sustainability drops. Despite the comparatively gradual differences, this may indicate that a balance between family members and non-family members in business management has a positive effect on a business's commitment to sustainability.

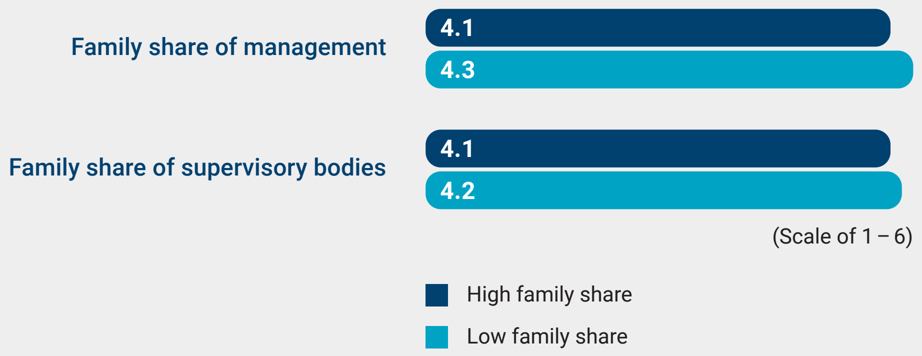

Figure 23: Degree of commitment to sustainability, by share of family members in management and controlling bodies

The positive influence of diversity in business management is also visible in the involvement of younger family members. A positive correlation may be observed between the number of family managers and shareholders under 40 years of age and a commitment to sustainability. Sustainability appears to be especially important to the succeeding generation, who want to make sustainability part of the family business.[29]

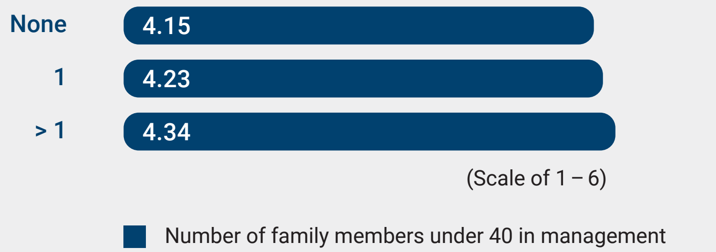

Figure 24: Degree of commitment to sustainability, by number of family members under 40 in management

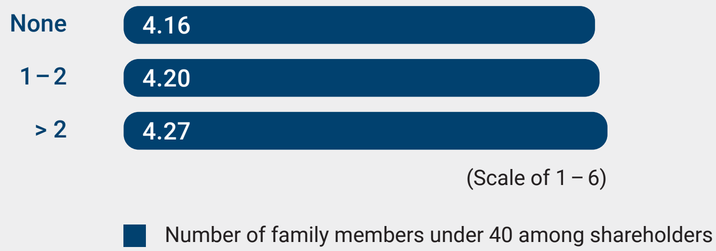

Figure 25: Degree of commitment to sustainability, by the number of family members under 40 among shareholders

[29] For further details, see Groth et al. (2020)

Socio-emotional wealth

The data show that high socio-emotional wealth normally leads to a higher commitment to sustainability: family members tend to support sustainability projects if they identify strongly with and feel emotionally attached to their business, have close social ties to employees and suppliers, and have a greater interest in preserving the family tradition for future generations. Interestingly, this correlation is particularly strong in respect of the social and environmental dimensions. These are also the categories with the greatest public profile and, therefore, those that serve the image of the business and the business family. In contrast, a strong commitment to employees appears to be largely independent of any family objectives. Apart from sustainability considerations, it may involve other factors, such as local labor market requirements.

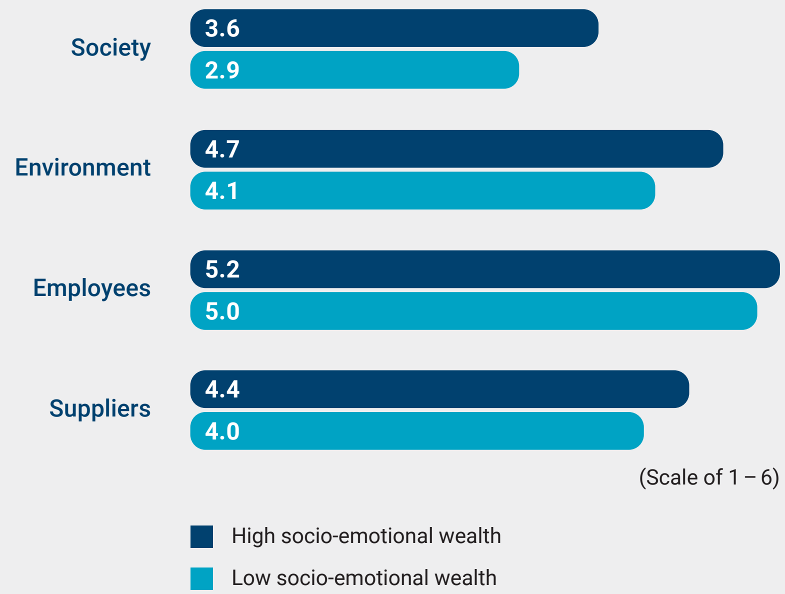

Figure 26: Degree of commitment to sustainability per dimension, by degree of socio-emotional wealth

The social ties of family members to their business appear to be particularly important in driving sustainability aspirations. Where there are long-standing social ties and the workforce is considered part of the family, family members often feel obliged to look after their employees' concerns. This may also be seen in the positive correlation between social ties and the social orientation within which businesses want to make positive contributions to their environment and workforce.

Figure 27: Degree of commitment to sustainability, by degree of socio-emotional wealth (per subcategory)

Furthermore, it becomes clear that high socio-emotional wealth has positive effects on the benefit perspective but does not automatically result in a lower cost or business orientation, even where cost orientation appears to be countered by strong emotional bonds. The view that sustainability results in higher costs is still widespread among family businesses and is independent of socio-emotional wealth.

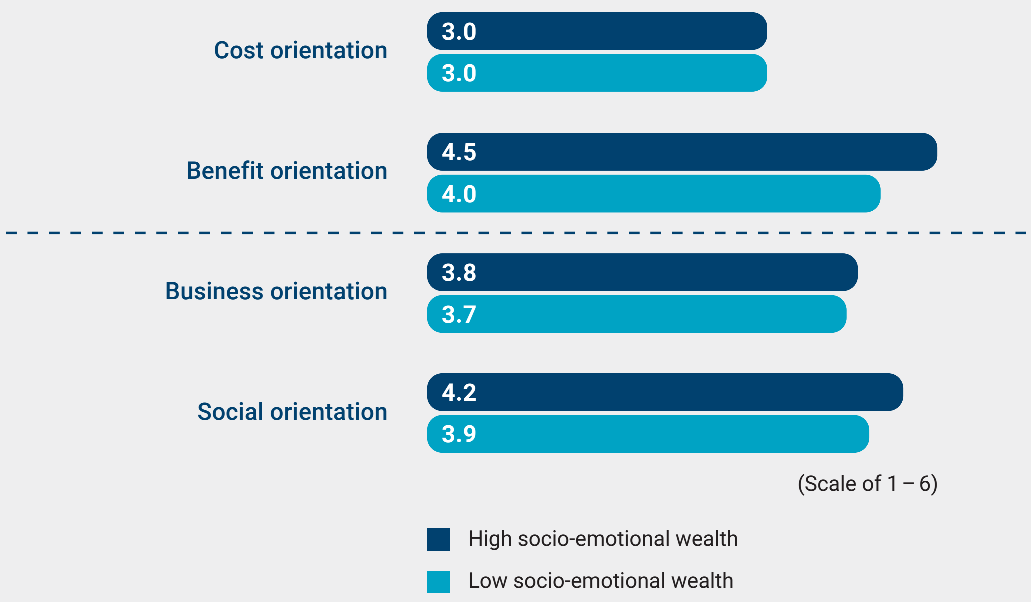

Figure 28: Type of sustainability motivation, by the degree of socio-emotional wealth

Resource availability

A family business's financial situation may be important to the decision of the degree to which the business commits to, and can afford to invest in, sustainability. Even if family businesses believe that a commitment to sustainability may be profitable, they may shy away from new projects in difficult times because of the costs required and the long-term perspective needed on returns. Liquid businesses may find it easier to initiate new sustainability projects, even if they regard these primarily as cost factors.

However, this study demonstrates that a family business's financial situation has no significant effect on its commitment to sustainability. Businesses in less comfortable financial situations[30] also appear to be motivated towards sustainability. The well-being of employees is paramount, irrespective of financial performance capacity. Slight differences are observable only in the social dimension. Businesses in a strong financial situation appear to be more willing to invest in sustainability projects for society; such support is often philanthropic, in the form of donations.

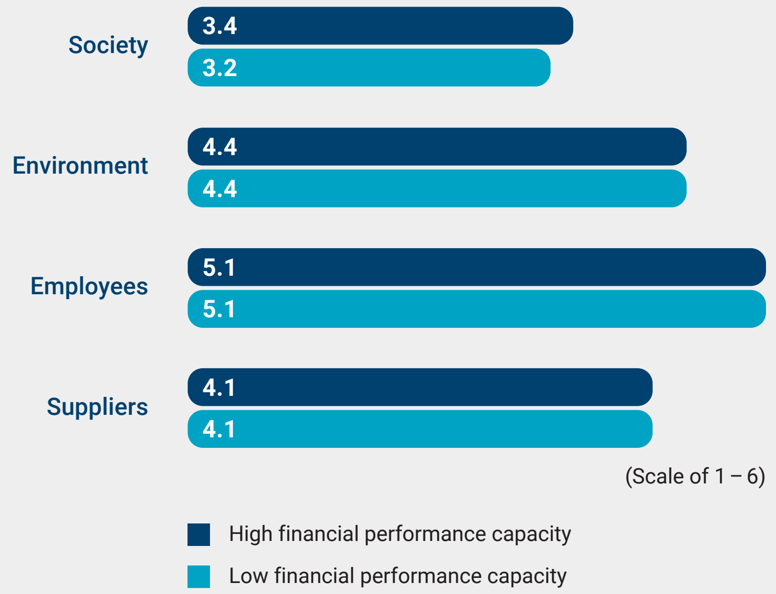

Figure 29: Degree of commitment to sustainability, by financial performance capacity

[30] None of the businesses surveyed was insolvent.

In addition to financial resources, businesses also require organizational resources and capacity to implement projects, including those concerning sustainability. Businesses with significantly restricted resources are more likely to see the costs of sustainability projects when producing goods and services. Correspondingly, businesses are more likely to want to have a social function, and see sustainability projects as business opportunities, in times when greater resources are available.

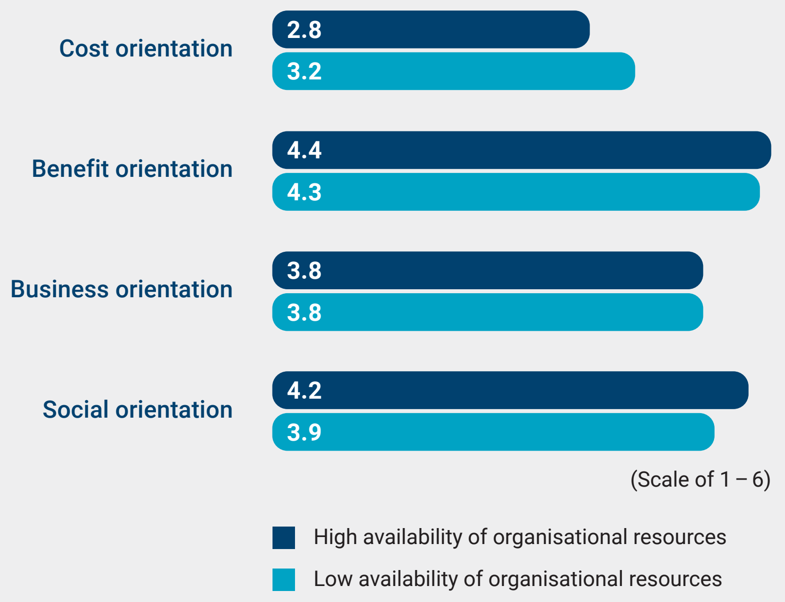

Figure 30: Type of sustainability motivation, by the degree of resource restrictions

These findings demonstrate that family businesses try to take on social responsibility even in financially difficult times, and even when sustainability is perceived primarily as a cost factor. Nonetheless, a basic level of organizational resources and capacities is beneficial for modern benefit and social orientations.

4 | WHICH STRATEGIC GROUPS EXIST REGARDING SUSTAINABILITY IN THE FAMILY BUSINESS CONTEXT?

The study results previously discussed demonstrate that family businesses have different motivational profiles and degrees of commitment to sustainability, and that these are influenced by a number of factors and conditions. The objective of this chapter is, therefore, to summarize the findings and to show the different forms of sustainability existing among family businesses, the reasons for, and the results of their pursuit of sustainability. To this end, we performed a cluster analysis in which two similarly acting groups in the two essential sustainability dimensions—the commitment to sustainability and the motivation for sustainability—were examined to derive four strategic groups from the multitude of data points.

The commitment to sustainability describes the degree of engagement with each sustainability activity for society, the environment, employees, and suppliers. The motivation for sustainability describes the cost vs benefit orientation and the business vs social orientation of the business. The cluster analysis shows that an essential similarity in motivation for sustainability is that businesses often possess either a cost and business orientation or a benefit and social orientation. Research on the subject refers to the former as the *classic motivation for sustainability*, in which the business sees profit maximization as its task and considers sustainability projects primarily as a cost factor with no real benefits. Benefit and social orientation are referred to as the *modern motivation for sustainability*, in which the business feels obliged to contribute to solving social problems, but also expects certain short- and long-term benefits from its commitment. The relative differences and similarities between the surveyed businesses concerning these two dimensions result in the following four strategic groups:

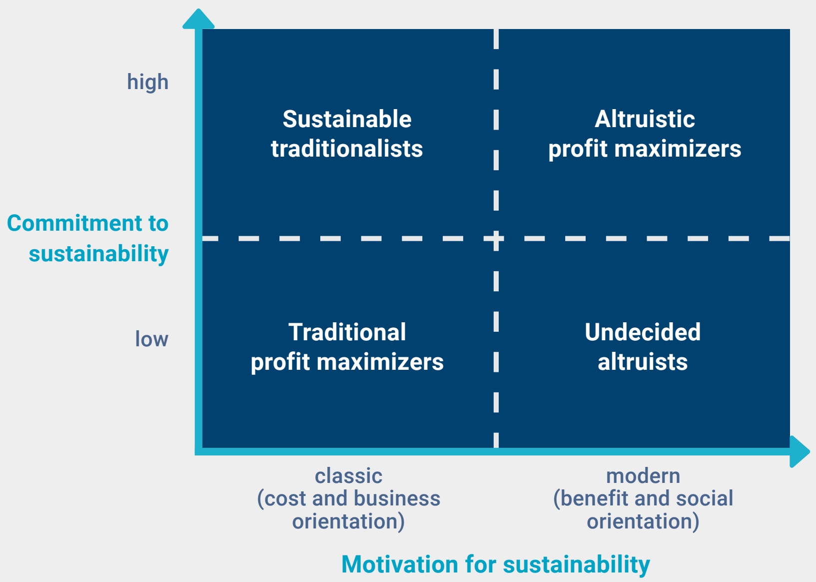

Figure 31: Strategic groups for sustainability, by the degree of commitment to sustainability and type of sustainability motivation

Combining the results of the cluster analysis with the influencing factors described above allows the four strategic groups to be described as follows (in ascending order by their commitment to sustainability):

Traditional profit maximizers

They are normally less committed, for reasons of cost, and consider their focus to be on profit maximization, not on solving social problems, also because the business family does not feel particularly attached to the business. They experience little external pressure and, therefore, do not fear significant competitive disadvantage from their lack of commitment. They allow little external influence, with a high degree of family control and low management diversity (they are less multigenerational and have few family members under 40 years of age in executive functions). Despite sufficient resources, *traditional profit maximisers* do not invest in sustainability projects because they do not expect benefits from them and are averse to risk. Due to their generally average performance capacity and low commitment to sustainability, their reputation is moderate in society and on the labor market. Their more challenging financial situation and low degree of (sustainable) innovation may, therefore, threaten their long-term ability to survive.

Undecided altruists

They believe that businesses should take on social responsibility, but do not expect significant benefits from doing so. Since they experience little pressure to act, these businesses only do what is necessary, showing sporadic commitment and without significantly adjusting their business model. Nor does the business family exert much pressure to introduce sustainability measures because family members feel little socio-emotional attachment to the business and the business is still in a relatively strong financial position.

Sustainability traditionalists

They commit to selected areas of sustainability and selectively invest in sustainability projects that deeply affect the business model. However, their actions are primarily due to external pressures and because they do not want to threaten close social ties with employees and suppliers. They are not committed in every area because they do not consider it to be their responsibility to solve social problems. They face significant resource restrictions and do not believe in the positive influence of a commitment to sustainability on their business. Improving their financial situation is an absolute priority for them. However, *sustainability traditionalists* have not yet succeeded in converting their relatively high commitment to sustainability into performance benefits. They also allow little external input because their business family exerts a high degree of control and there is little diversity in management. They are smaller than average (based on their number of employees) and still have the potential for development.

Altruistic profit maximisers

They are strongly committed to all sustainability dimensions because they consider themselves to be a part of society, but they also expect benefits from their commitment. Their business family has a strong socio-emotional (especially emotional) attachment to the business, defines itself not only by financial objectives, and is a strong driver of sustainability. External input comes from diversified management (the inclusion of non-family managers, multiple generations, and little control by the family) and great maturity (business size and age). Businesses in this group embed sustainability initiatives deeply in their business model, display strong financial performance capacity, enjoy good reputations, and appear to be likely to survive in the future.

	INFLUENCING FACTORS					PERFORMANCE			
	Family pressure	Non-family pressure	Socio-emotional wealth	Resource availability	Management diversity	Financial performance	Business model innovation	Business image	Reputation as an employer
Altruistic profit maximizers	↑	↗	↑	↑	↑	↑	↗	↑	↑
Sustainability traditionalists	↗	↗	↗	↓	↘	↗	↗	→	→
Undecided altruists	↗	↘	→	↗	↗	↘	→	→	→
Traditional profit maximizers	↓	↓	↓	↓	↓	↓	↓	↘	↘

↑ high ↓ low

Figure 32: Strategic groups, influencing factors, and performance capacity

The cluster analysis makes clear that the availability of organizational resources and capacity is an important requirement for a modern social and benefit orientation in which businesses want to give back to society and benefit from doing so. New input from diverse management also appears necessary for this. However, the data also show that this modern motivation does not automatically lead to a greater commitment to sustainability, as illustrated by the example of the *undecided altruists*. Irrespective of motivation, the presence of external pressure and high socio-emotional wealth often appear to be required for family members to support a commitment to sustainability. Businesses that succeed in combining support from the family with a modern motivation for sustainability may become *altruistic profit maximizers* who want their business to benefit from their social engagement and combine both aspects in a consistent sustainability strategy where each aspect stimulates the other and drives innovation, potentially leading to positive effects on the business's financial and non-financial performance capacity.

5 | CONCLUSION AND RECOMMENDATIONS FOR ACTION

These results show that family businesses differ in their approaches, their commitment to and their motivations for sustainability. Family businesses, it is clear, are not an organizational form equally committed to sustainability, but include both stronger proponents of sustainability and less committed businesses which regard their function primarily as profit maximization "within the rules". The areas of sustainability to which family businesses are committed also differ significantly. While some businesses are more committed to local welfare, others are more concerned with environmental protection. While there is no right or wrong approach to the areas of responsibility emphasized—merely different emphases that also meet the definition of a commitment to sustainability—an authentic commitment requires that businesses align all economic activity without neglecting certain areas of sustainability. Nonetheless, employee well-being appears to be of great importance to family businesses, irrespective of their motivation or financial situation.

Generally, family businesses expect to benefit from social commitment, whether through positive effects on their reputation, relationships with interest groups, attractiveness as an employer, employee satisfaction, or financial performance capacity. The analysis of the influencing factors makes clear that, for such expectations, the shareholder family is often the strongest driver of sustainability projects. The high socio-emotional wealth of the business family is a prerequisite for family members' support of commitments to sustainability. At the same time, the results also show that diversity in management (the inclusion of non-family management and multiple generations) may have a positive effect on a family business's commitment to sustainability.[31] In other words, too much control by the family restricts important input from outside which may affect the motivation for and commitment to sustainability.

The cluster analysis shows the existence of different strategic groups among family businesses regarding approaches to sustainability. While *traditional profit maximizers* primarily consider sustainability to be a cost factor, *altruistic profit maximizers* regard a business model based on sustainability as an opportunity to give back to society, while profiting economically. They combine both aspects which then mutually stimulate each other, for example, when sustainability projects produce innovation that improves the business's market position. Since each of these levels of development has different priorities in adjusting sustainability strategies, we will offer recommendations separately for each strategic group. It must be emphasized that this study does not suggest a direct relationship between a commitment to sustainability and financial performance capacity. These recommendations for action are merely intended to provide food for thought for useful sustainability strategies that may contribute to a positive outlook for the future.

[31] For further details, see Gerken and Hülsbeck (2018) and Müller et al. (2016)

TRADITIONAL PROFIT MAXIMIZERS

Substitute family influence with measures at the managerial level

In this group, the greatest obstacles to the implementation of sustainability measures are the lack of support for sustainability from the business family and the low socio-emotional attachment of family members to the business. Sustainability is considered a cost factor which is why such businesses have profited little from their commitment to sustainability. Since strong support for a commitment to sustainability from the business family is unlikely in the short term, and management cannot use the business family as a strategic resource for sustainability, this (low) support from the family must be replaced with measures at the managerial level, such as promoting diversity in management by including non-family managers and younger family members and including different interest groups.

Identify fields of action

In this group, the difficult financial situation presents another barrier which, together with an emphasis on the costs of sustainability projects, dampens motivation for a commitment to sustainability. Therefore, fields of action should be discussed, based on which sustainability initiatives can be reconciled with cost reductions or formulated in a cost-neutral manner. This may be a first step in expanding the commitment to sustainability and identifying the benefits it may bring to the business. In a second step, sustainability activities with other effects, for example, an improved value proposition, may be considered.

Identify and include interest groups

An important requirement for prioritizing these fields of action is identifying, establishing a dialogue with, and understanding the demands for the sustainability of the interest groups with special importance for the business. These especially include employees. The feasibility of and benefits resulting from such demands must be reviewed with an aim to commit to those areas of sustainability most noticeable for the interest groups and the business. A positive experience here will allow businesses to develop based on modern benefit and social orientation over the long term, and to use sustainability for business-model innovation, enabling the business family to increase its interest in sustainability and, thereby, its socio-emotional wealth.

UNDECIDED ALTRUISTS

Include sustainability in the family strategy[32]

Despite its modern benefit and social orientation, this group lacks the resolve to translate its will to contribute to society into a strong commitment to sustainability or to profit from it. Low support from the family and its weak socio-emotional attachment are hindrances. The business family should therefore determine its family strategy for sustainability, identifying which areas of sustainability are important to it, and what its objectives are, through a joint discussion to take a clear stand and support management in this area.

[32] For further details, see Rüsen, Schlippe and Groth (2019) and Rüsen and Löhde (2019)

Develop a holistic sustainability strategy

Determining a clear stance for the business family enables management to develop a consistent strategy for sustainability with support from the family. This should result in an authentic overall profile that replaces previously selective commitment and, in each area, bases the commitment to sustainability on the business family's objectives. This approach enables significantly greater benefits from sustainability projects and, for example, improvements to the business's image and attractiveness as an employer.

Use sustainability for innovation

Despite its modern benefit and social orientation, this group is unable to promote innovation or update its business model through its commitment to sustainability. Undecided altruists should therefore gain an understanding, perhaps by looking at examples in other industries, of how sustainability projects can drive innovation and should identify potential areas of innovation and allow changes to their business model. This means (re)investing in innovation projects and not falling behind through a lack of external pressure, despite a (still) strong financial situation.

SUSTAINABILITY TRADITIONALISTS

Approach sustainability proactively

Family businesses in this group are committed to selected areas of sustainability but act primarily due to external pressure, not because they want to contribute to society or believe in the positive influence of a commitment to sustainability on their business. Their classic approach to sustainability makes it difficult to achieve long-term competitive benefits from sustainability. Businesses in this group must therefore switch from reacting to acting and must approach sustainability proactively. This includes fostering awareness in the business family that sustainability projects may also bring (performance) advantages and jointly discussing how future projects could benefit both society and the business.

Permit new outside input

Sustainability traditionalists are characterized, among other features, by the degree of family control exerted in management and controlling bodies which permits little influence from outside the family on their approach to sustainability and business management. New input from outside is needed to establish a modern approach to sustainability and enable the business to profit more from a commitment to sustainability. This may be achieved through diversity in management, for example, stronger involvement by non-family management, or by looking outside, for example at the extent to which innovative sustainability practices of competitors or other industries may be applicable, credible, and beneficial to the business.

Expand social commitment

An authentic commitment to sustainability requires holistic commitment from the business, not "cherry-picking" certain areas and neglecting others. Sustainability traditionalists should therefore consider how they can initiate effective social commitment and how this can be used for their positioning and to improve their image.

ALTRUISTIC PROFIT MAXIMIZERS

Increase investment in innovation

Although altruistic profit maximizers manage to obtain benefits for the business from their social commitment and combine both aspects in a consistent sustainability strategy, they could use sustainability projects to greater effect for innovation, which may have positive effects on their business's financial and non-financial performance capacity. Despite their positive starting position, businesses in this group should continuously work on improving their business model and developing new products and services to achieve their sustainability objectives.

Include the younger generation

Despite greater diversity in management from the inclusion of non-family members, altruistic profit maximizers could do more to permit fresh input from the Millennial generation, involving young family members in shaping the sustainability strategy or even delegating to them the task of developing it. As a positive side effect, potential successors may thereby strengthen their socio-emotional attachment to the business in preparation for future management responsibilities.[33]

[33] For further details, see Hülsbeck and Kurz (2016)

ANNEX: DATA COLLECTION AND ANALYSIS

Participating businesses

The participants in this study were 360 members of business families from Germany, Austria, and Switzerland, 91% of whom performed executive functions and 85% of whom were male. Their average age was approximately 54; they had an average of 16 years' experience in their role and 24 years in that business.

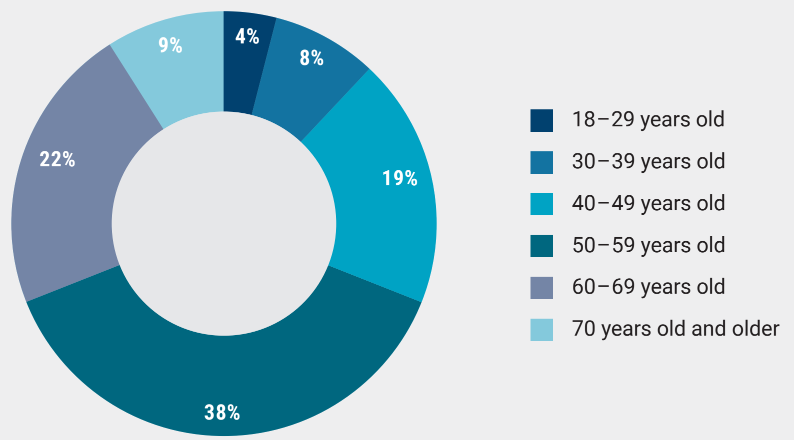

Figure 33: Age of respondents

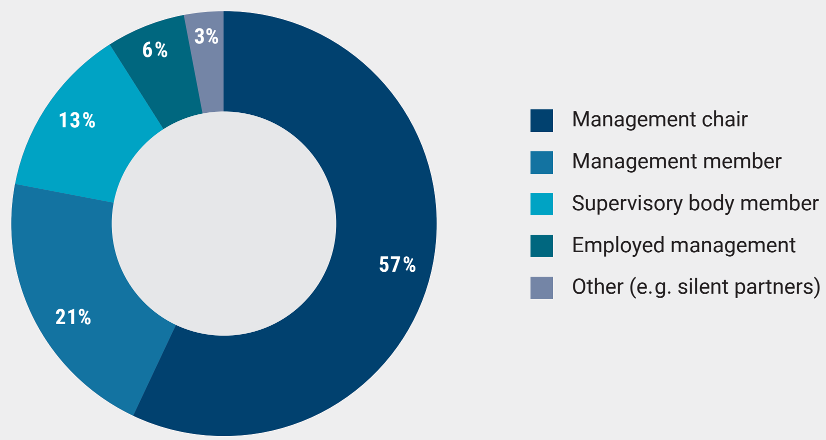

Figure 34: Main activity of respondents

The businesses surveyed come from a broad spectrum of the manufacturing industry, from retail to finance. The majority of businesses are small and medium-sized businesses (68%) with fewer than 500 employees; the largest category (37%) having between 100 and 499 employees. However, nearly 25% of participating businesses have 1,000 or more employees. The business revenue diagram shows that 87% of businesses generated revenue of less than EUR 500 million per year, while 6% generated more than EUR 1 billion. Half of the participants are family businesses with revenue of less than EUR 50 million. This confirms the assumption that, primarily, traditional Mittelstand businesses participated in this study, further confirmed by the high average age of the businesses at nearly 90 years. The majority (86%) of the participating businesses are family businesses 100% owned by the family. The family businesses surveyed, therefore, offer a good representation of the German Mittelstand in all its forms. In terms of size and age, the classic spectrum of businesses is fully covered.

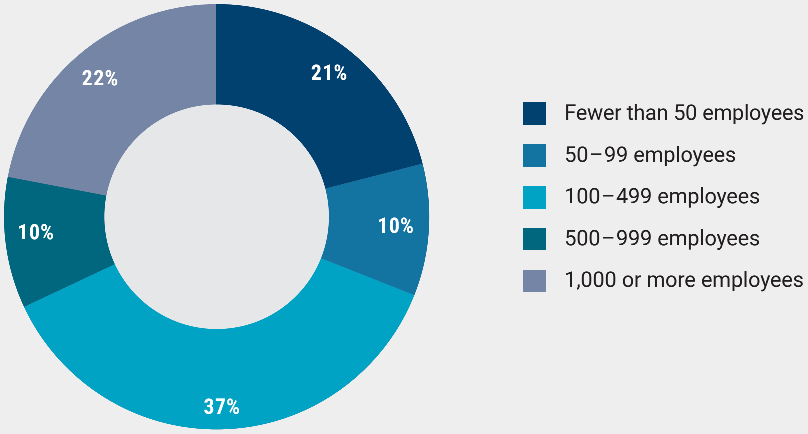

Figure 35: Number of employee

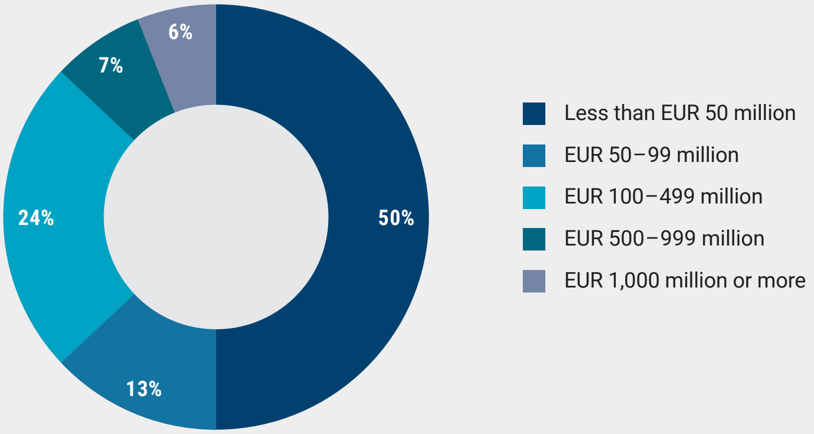

Figure 36: Revenue of family businesses

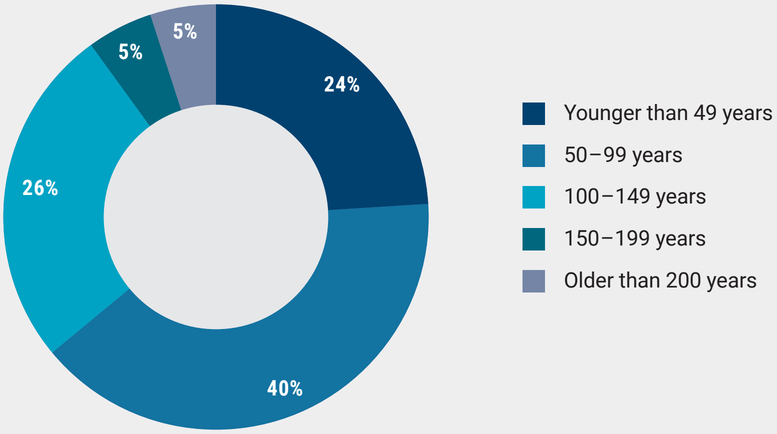

Figure 37: Age of family businesses

DATA COLLECTION

To study these research questions, we developed a survey with a total of 107 questions covering the research areas discussed and the framework of the business to exclude alternative explanations. The survey covered various aspects of sustainability (commitment to sustainability, motivation for sustainability, etc.) and their impact on business performance; influencing factors relevant to family businesses, and socio-emotional wealth and governance. Control questions included questions about participant biographies and business or resource constraints. The greatest challenge in studies on sustainability is the objective measurement of a business's commitment to sustainability. For this reason, this survey features scientifically validated measurement tools from sustainability and business model research and from social psychology, through which the commitment to sustainability was measured based on concrete activities in specific areas of sustainability, instead of relying on subjective assessments of sustainability.

CATEGORY	CONTENT	SAMPLE QUESTION
About the person	Sex, age, business family affiliation, main activity, tenure position / firm	What is currently your main activity?
Commitment to sustainability	Sustainability activities concerning society, the environment, employees and suppliers	How does your business contribute to conserving energy (e.g. through recycling or waste management)?
Motivation for sustainability	View of commitment to sustainability (cost factor, benefits for the business, moral obligations, etc.)	Social responsibility forms an important basis for competition on the market (degree of agreement)
Pressure from interest groups	Pressure from various interest groups (government, customers, suppliers, etc.) to implement sustainability measures	How much pressure to implement sustainability measures was exerted by customers in the last three years?
Business model adjustment	Adjustment of resources, processes, positioning, products, etc. due to sustainability efforts	How have sustainability efforts changed the internal value creation processes of your business?
Performance	Financial and non-financial, resource availability, willingness to take risks, etc.	What difficulties does your business have procuring sufficient means to produce products / services?
Socio-emotional wealth	Family members' identification with the business, social and emotional attachment, importance of family reputation, etc.	To what extent are non-family employees treated as part of the family?
Governance	Share of family members in top level management / controlling bodies, number of generations, succession, etc.	How many members of your business family serve in top level management?
Controls	Founding year, number of employees, industry, shares held by the family, etc.	How many employees does your family business have?

Figure 38: Categories, question content, and sample questions from the survey

CLUSTER ANALYSIS

Based on the results of our survey, we performed a so-called cluster analysis to derive different strategic groups in family businesses. The cluster analysis highlights groups with similar behavior in large datasets based on similar or different response patterns in the dataset. The cluster analysis of this study is based on four variables for commitment to sustainability: society, the environment, employees, and suppliers; and four variables for motivation for sustainability: cost, benefit, business, and social orientation of the business. We applied Ward's method of minimum variance, validated ex-post by k-means clustering, one of the most common techniques for grouping objects.[34] The linear discriminant analysis shows a high percentage of correctly classified clusters (96% of businesses classified correctly on average) and acceptable group sizes (of 68 to 120 businesses). This enables this research project to determine the strategic groups among family businesses, their motivation for acting sustainably, and the effects such commitment has on the business's performance capacity.

[34] For further information about cluster analyses, see: https://en.wikipedia.org/wiki/Cluster_analysis

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LIST OF FIGURES

Figure 1:	Commitment to sustainability	11
Figure 2:	Research focus of the study	12
Figure 3:	17 Sustainable Development Goals of the UN	15
Figure 4:	Degree of commitment to sustainability, per dimension, by number of employees	17
Figure 5:	Degree of commitment to sustainability concerning society	18
Figure 6:	Degree of commitment to environmental sustainability	18
Figure 7:	Degree of commitment to sustainability regarding employees	19
Figure 8:	Degree of commitment to sustainability regarding suppliers	19
Figure 9:	Type of sustainability motivation, cost vs benefit orientation	20
Figure 10:	Degree of commitment to sustainability per dimension, by cost vs benefit orientation	21
Figure 11:	Type of sustainability motivation, by business vs social orientation	21
Figure 12:	Degree of commitment to sustainability per dimension, by business vs social orientation	22
Figure 13:	Degree of business model adjustment per dimension, by degree of commitment to sustainability	23
Figure 14:	Degree of value proposition adjustment due to sustainability projects, by type of sustainability motivation	24
Figure 15:	Degree of value creation and adjustment due to sustainability projects, by type of motivation for sustainability	25
Figure 16:	Degree of revenue model adjustment due to sustainability projects, by type of motivation for sustainability	26
Figure 17:	Non-financial performance capacity, by degree of commitment to sustainability	27
Figure 18:	Financial performance capacity, by the degree of commitment to sustainability	28
Figure 19:	Degree of pressure exerted by various interest groups to introduce sustainability activities	29
Figure 20:	Type of sustainability motivation, by the degree of family pressure to introduce sustainability activities	31
Figure 21:	Degree of commitment to sustainability per dimension, by degree of family vs non-family pressure to introduce sustainability activities	32
Figure 22:	Degree of commitment to sustainability, by chairing of management and controlling bodies	33
Figure 23:	Degree of commitment to sustainability, by share of family members in management and controlling bodies	33

Figure 24: Degree of commitment to sustainability, by number of family members under 40 in management 34

Figure 25: Degree of commitment to sustainability, by the number of family members under 40 among shareholders 34

Figure 26: Degree of commitment to sustainability per dimension, by degree of socio-emotional wealth 35

Figure 27: Degree of commitment to sustainability, by degree of socio-emotional wealth (per subcategory) 36

Figure 28: Type of sustainability motivation, by the degree of socio-emotional wealth 37

Figure 29: Degree of commitment to sustainability, by financial performance capacity 38

Figure 30: Type of sustainability motivation, by the degree of resource restrictions 39

Figure 31: Strategic groups for sustainability, by the degree of commitment to sustainability and type of sustainability motivation 40

Figure 32: Strategic groups, influencing factors, and performance capacity 42

Figure 33: Age of respondents 47

Figure 34: Main activity of respondents 47

Figure 35: Number of employees 48

Figure 36: Revenue of family businesses 49

Figure 37: Age of family businesses 49

Figure 38: Categories, question content, and sample questions from the survey 51

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