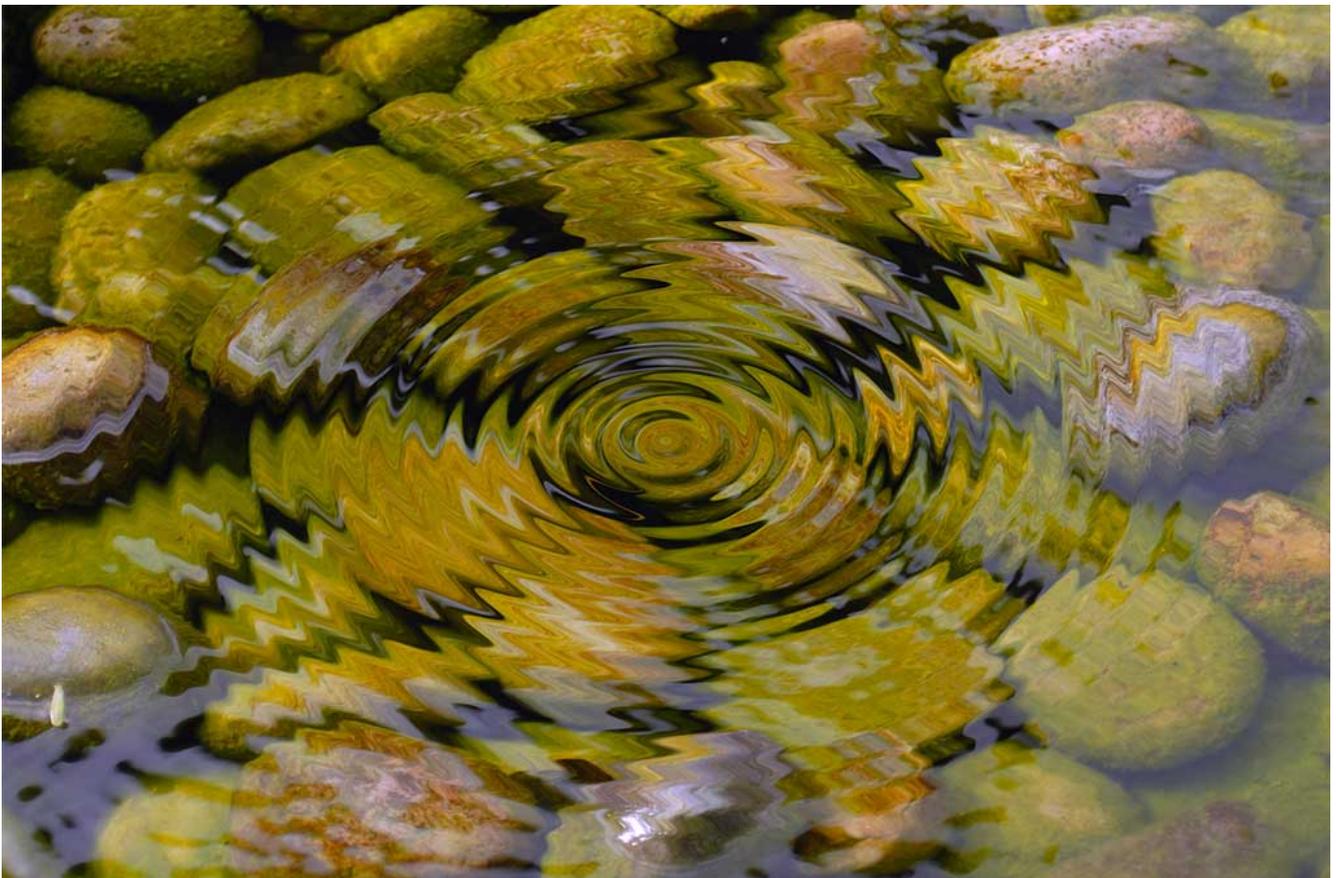


Sustainability can make for better relations with all stakeholders in family-owned businesses

Stakeholder relations are of vital importance to instigating CSR programs, and this is especially true for family-owned companies.



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In 2022, the world's 500 largest family businesses generated around \$8 trillion in revenue — about 8% of global GDP — and employed 24.5 million people, according to data from Ernst &

Young. That's an increase of 10% and 1.4% on the previous year, respectively.

Family businesses are key economic and social drivers, which is why their environmental impact matters. The latest report from IESE's [Chair of Family-Owned Business](#), led by Professor [Marta Elvira](#), together with Brenda Torres and María del Mar Revilla, outlines the best practices for family businesses to achieve the 17 U.N. Sustainable Development Goals (SDGs) on the 2030 Agenda. They have taken an in-depth look at what makes family businesses tick, and how their relationship with a range of stakeholders can assist sustainability initiatives.

The environment is a stakeholder too

The existence of the SDGs and an extensive array of tools to assess the environmental impact of economic activities, attests to the key role of the environment in any modern business.

Family-owned companies face three major sustainability challenges:

- **Environmental performance.** Family firms score lower than non-family firms in this domain, particularly when evaluated in terms of supply chains, raw materials and emissions. A bright side: more socially integrated family businesses tend to have a better environmental performance.
- **Eco-innovation.** Family-owned companies only resort to investing in this space when there is a regulatory threat. When based in countries where regulations are weaker, eco-innovation is more likely to focus on technologies to avoid pollution, rather than clean production techniques.
- **[Disclosure of environmental information to stakeholders](#).** When family-owned companies disclose new and credible data, they have a stronger impact than non-family-owned companies. However, despite carrying out more CSR practices overall, they communicate about them less.

How to improve environmental performance

Against this backdrop, the report recommends a series of sustainability recommendations for family businesses.

- **Train for eco-innovation.** Preparing employees will mean collaborating with

external stakeholders and hiring experts to push environmental policies. Companies should also invest in improving organizational flexibility and agility.

- **Diversify the board of directors.** Aim for age and gender diversity on the board, as well as a balance of family and non-family directors — the latter are often more impartial in decision-making. Board members should be chosen for their experience in sustainability matters, rather than friends or acquaintances, as is often common practice in family-owned businesses.
- **Focus on the long term.** CSR isn't an operating expense so much as a long-term capital investment. Management needs to integrate CSR into organizational goals and explain the advantages to all levels of the company.
- **Recognize family influence.** By their very nature, family businesses often establish more effective relationships with stakeholders. This natural advantage can be leveraged to strengthen their commitment to sustainable innovation.
- **Disclose measures transparently.** Communicating CSR or environmental activities transparently helps reduce information asymmetry and better manage risk prevention. Moreover, internationally recognized certificates generate greater trust in stakeholders.

Tips for better stakeholder relations

The study also provides several pointers on how to improve family-owned business links with other stakeholders, both internal and external. The main suggestions are broken down into tips for various stakeholder types, and include:

- **Clients.** To strengthen client relationships, companies should focus on building their reputation, communicating the family history of their CSR strategies, and aim for an optimal price-quality equilibrium.
- **Employees.** Best practices include communicating the benefits of being part of a family business, connecting family values and goals with business aims, and weeding out unfair HR practices.
- **Providers.** To win over these external stakeholders, invest in R&D, prioritize decisions with long-term effects (particularly when times are hard) and seek a balance between your own goals and your providers' R&D initiatives.
- **Credit institutions.** Here again, it pays to promote transparency and focus on building long-term relationships.

About the research

The [report](#) (in Spanish) builds on existing research on the relationship between family-owned businesses and their stakeholders, and draws further conclusions based on economic data with some illustrative cases.



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