

## Do family firms disclose less about the environment, and can women directors flip that?

*A critical mass of women directors overturns family firms' tendency to disclose less.*

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**P**ressure to show what a company is doing about emissions, waste, and water keeps rising. Investors, regulators, and customers all want the information, and increasingly they treat its absence as a red flag. Family firms sit at the centre of this shift. They make up most businesses in Europe and carry an outsized influence on how local economies treat the environment, yet one question about them has stayed unresolved: do they tell the public more about their environmental practices, or less?

This study gives a clear answer, and then complicates it in a useful way. Across a sample of Italian small and medium-sized firms, those controlled by families disclosed noticeably less environmental information than their non-family peers. The composition of the board changed that picture. Once enough women sat at the table, the disclosure gap did not merely shrink. It turned the other way, with family firms ending up more transparent than the firms they had been trailing.

### WHAT WE STUDIED

The research draws on 324 firm-year observations covering 168 companies listed on Euronext Growth Milan, the segment of the Italian stock market built for smaller, high-growth firms. The window runs from 2018 to 2020. This market matters for the question because it is crowded with family-owned businesses and because Italy enforces one of the earliest board gender quota laws in the world, so there is real variation in how many women sit on these boards.

Measuring environmental disclosure for small firms is harder than it sounds. The familiar ESG ratings from data providers barely cover SMEs, so the authors built

their own index by hand. Working from the GRI 300 environmental standards, they read annual reports, sustainability reports, and corporate websites and scored each firm across eight themes: materials, energy, water and effluents, biodiversity, emissions, waste, environmental compliance, and supplier environmental assessment. A theme scored zero when nothing was said, one for qualitative mentions, and two when the firm reported hard numbers. The resulting index runs from 0 to 16.

The average score was 2.13. That is low, and it tells its own story about how thin environmental reporting still is among listed SMEs. Family firm status was coded as a simple flag: a family holding at least ten percent of the company plus at least one family member on the board or in the CEO seat. Roughly half the sample qualified. Board gender diversity was captured with the Blau index, which moves from 0 for an all-male board to 0.5 for a perfectly balanced one; the sample average sat at just 0.21. The team ran generalized estimation equation models with robust standard errors, then re-checked everything with fixed-effects regressions.

Two theories pull in opposite directions here, which is what made the question worth testing. Agency theory points to the conflicts between controlling families and minority owners, and to self-interested behaviour that can starve environmental projects of attention and money. The resource-based view points the other way, arguing that reputation, long horizons, and the family name give these firms strong reasons to be seen doing the right thing. The study lets the data decide which logic dominates.

## KEY INSIGHTS

### ***Family ownership comes with a disclosure gap***

Family firms disclosed less. The effect was negative, statistically significant, and stable across every model the authors ran, sitting between roughly -0.31 and -0.34. In plain terms, the agency logic won. When families prioritise control and their own interests, environmental reporting tends to be one of the things that quietly gets deprioritised, and the secrecy that often surrounds family-run firms reinforces the pattern.

### ***Women on the board raise disclosure***

Board gender diversity had a positive, significant effect on environmental disclosure across the board, family-owned or not. This lines up with a wider body of work showing that women directors tend to broaden the issues a board pays attention to and improve the quality of its monitoring and advice. The more interesting result, though, was about interaction rather than main effects.

### ***Two women change the direction, not just the size***

Gender diversity did not simply soften the family disclosure gap. It reversed it. The interaction between the Blau index and family firm status was positive and significant, and a follow-up analysis using the count of women directors made the threshold concrete. A single woman on the board helped. Two or more flipped the relationship entirely, so that family firms with a critical mass of women directors disclosed more environmental information than non-family firms, not less.

This is the critical-mass idea that recurs across governance research: one woman is often a token whose influence is easily diluted, while two or three shift how the board actually deliberates. Here that shift was strong enough to overturn an ownership effect that had looked robust on its own.

### ***What moved disclosure, and what did not***

Among the controls, larger asset tangibility and more years of market experience pushed disclosure up, while higher leverage, reporting a loss, and certain stakeholder-engagement measures pulled it down. Board size, board independence, and CEO duality showed no significant effect. The board's gender mix, in other words, did work that its size and formal independence did not.

## TAKEAWAYS FOR FAMILY BUSINESS LEADERS

### ***Treat board composition as an environmental decision***

If a family firm wants to be credible on environmental matters, the makeup of its board is not a side issue. It is part of the mechanism.

- Aim for at least two women directors, not one. The evidence points to a genuine threshold, below which the effect on disclosure is muted.
- Recruit for expertise alongside gender. The benefit the study describes comes from the resources, monitoring, and mediation that capable directors bring, not from representation on its own.

### ***Use disclosure to build trust, not just comply***

- For family owners worried about protecting reputation and the family name, environmental transparency is a direct way to do it. The reluctance the data reveals works against that interest.
- Firms planning to go public should know that investors increasingly read environmental disclosure as a signal of management quality. Strengthening the board before listing can pay off twice.

## IMPACT

The study reframes a debate that had been stuck on a single question — are family firms greener or not — by showing that the answer depends on who governs them. On their own, family-controlled SMEs in this Italian sample leaned toward less environmental disclosure. Add a critical mass of women to the board and that tendency does not just disappear; it inverts. Ownership and governance interact, and the interaction is where the action is.

It also adds weight to the case for gender quota laws, of the kind Italy adopted early. If two women on a board can turn a disclosure deficit into a surplus, then policy that moves boards toward that threshold has measurable effects on corporate transparency, not just on representation. For investors, the message is more cautionary: family ownership alone is a poor proxy for environmental responsibility, and the board behind it deserves a closer look.

## RECOMMENDATIONS

- **Family owners:** review your board against the two-women threshold and treat the gap as a strategic one, not a cosmetic one.
- **Investors and analysts:** look past the family label to the board's actual composition when judging environmental credibility.
- **Policymakers:** pair gender-diversity measures with incentives such as tax relief or green credits to nudge family SMEs toward fuller environmental reporting.

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