Spotlight
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How does engagement in ESG practices benefit the owning family of a family firm?

ESG practices generate four interrelated family-level benefits: continuity, alignment, relationships, and ethics.

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Most ESG research in family business asks whether family ownership makes companies more sustainable, and whether sustainability makes them more profitable. The finding has settled into a familiar groove: family firms care about reputation, employees, and the long term, and ESG often pays off.

Rafaela Gjergji and her co-authors take a different angle. They ask what ESG does for the *family* — not the firm. The question matters because the family and the business are not separate machines. They are overlapping systems, and what changes in one feeds back into the other. If ESG is reorganising governance, attracting next-generation members, and codifying the founder's values, then its real legacy may not show up on the balance sheet at all.

Six Italian "ESG champions" — companies that started sustainability work years before regulation required it — gave the researchers a chance to look closely. The result is an acronym, C.A.R.E., that names four family-level outcomes ESG produces: Continuity, Alignment, Relationships, Ethics. Each one challenges the dominant view that ESG is a strategic tool the family wields. In these firms, it is also something that reshapes the family that wields it.

WHAT WE STUDIED

The research draws on six medium-to-large Italian family firms, each at least second-generation, each with annual revenue above €50 million, and each recognised as a long-standing ESG adopter. The industries vary widely — fashion, cosmetics, wine, coffee, automotive, vinegar — and the active generations span from second to ninth. The vinegar producer was founded in 1787.

To qualify as an "ESG champion," each firm had to embed sustainability as core strategy, document a track record through sustainability reports or equivalent, and have adopted ESG practices voluntarily before the 2016 Italian transposition of the EU Non-Financial Reporting Directive made them mandatory for public-interest companies.

Over a year, the team conducted 24 interviews in three rounds — first with sustainability leaders (family and non-family), then deeper conversations with family members alone, then validation follow-ups. Secondary sources filled in the picture: corporate websites, company history books, AIDA financial data, press coverage, and internal documents like ethical codes and organisational charts. Two researchers led the interviews; three played devil's advocate during analysis. Findings were shared back with each firm for validation.

The analysis followed the Gioia method — coding informant-centric quotes into first-order codes (28 of them), then themes (11), then four overarching dimensions. The acronym fell out of the data, not the other way around.

KEY INSIGHTS

Four family-level outcomes recur across all six firms. They are interconnected, but each captures something distinct.

Continuity

Continuity is the obvious goal of every family firm: keep the family present across generations. ESG, the researchers find, is doing more here than is usually credited. Adopting ESG forces governance to mature. Roles get formalised, sustainability functions get created, and entry rules for the next generation become explicit. In one fashion house now in its third generation, with the fourth approaching involvement and more than 50 family members linked to the business, a family member holds the role of Chief Transformation and Sustainability Manager. In the ninth-generation vinegar firm, the latest generational arrival coincided with a deliberate restructuring of sustainability governance.

The effect on succession is two-sided. Younger family members are drawn in by purpose-driven roles that fit their values, and the meritocratic logic of ESG criteria — GRI standards, B Corp certification, ISO 22005 — softens accusations of nepotism. As one third-generation interviewee in the wine firm put it, her work with the Regenerative Society Foundation gave her external legitimacy that her surname alone could not.

Alignment

Alignment is the trickier finding. Family business research has long treated shared values as the *precondition* for ESG. These six cases suggest the relationship runs in both directions. ESG is not only an expression of family agreement — it manufactures it. The shared work of choosing sustainability priorities, building governance, and deciding what to report creates a forum where generational and professional differences can converge on something concrete.

The chairman of the cosmetics firm keeps a corporate values charter at the company entrance, visible to anyone walking in. The chief sustainability officer described it as a way the family's values "transcend the family bonds and extend to all of us." That extension is the alignment mechanism: non-family managers and employees adopt the family's commitments because the commitments are operationalised, not just declared. The chief CSR officer of the automotive firm, a young second-generation business, framed ESG explicitly as a tool for keeping the small leadership group bonded.

Relationships

Where alignment is internal, relationships face outward. ESG practices, the study finds, deepen and stabilise the family's external ties — to local communities, suppliers, regulators, certifying bodies, and the territories that gave the firm its start. Three of the six firms have land-based identities — regenerative agriculture, sustainable vineyard management, biodiversity certification — and they speak of the territory as an extension of the family. In the wine firm, ESG commitments are described as "neighborly duty," operationalised through local hiring quotas and community involvement in setting sustainability priorities.

Reputation accumulates too. The vinegar firm received a 2015 Biodiversity Friend certification. The automotive firm earned a Double A− from CDP. The cosmetics firm was named "Best for the Environment" by B Lab. The fashion house has restored UNESCO heritage sites in its home city. The vice president of the vinegar firm sits on Confindustria's national council for environmental transition. These external validations carry the family name into broader institutional arenas and reinforce the implicit social contract that lets the firm operate.

Ethics

Ethics is the least visible outcome and arguably the most important. Family firms inherit moral codes informally — through stories, daily routines, what the authors call "dinner-table values." ESG, in this view, is a codification mechanism. It translates implicit family ethics into explicit charters, codes, supplier requirements, and reporting standards.

The founder of the fashion house made cork wedge shoes during wartime scarcity. That story is now embedded in an Ethics Blueprint Charter, displayed across the organisation, that frames sustainability as continuous with craft. The cosmetics firm's "Ethical Charter: The New Flowering" is positioned not as a rulebook but as an invitation to ethical conduct — a contemporary articulation of values that began with the founder. In several firms, museums, foundations, and archives anchor the moral legacy in physical artefacts that outlast individual leaders.

This is the most underappreciated finding in the paper. Ethics in family firms is often portrayed as something the family possesses. The cases show ethics as something the family must keep re-codifying if it is to survive intact across generations. ESG provides the structure for that re-codification.

TAKEAWAYS

The four dimensions of C.A.R.E. are interrelated. Continuity creates the governance scaffolding that hosts alignment. Alignment around shared values makes the family's external relationships more credible. Stronger external relationships reinforce the family's reputation as ethical stewards. Ethics, in turn, gives the next generation something worth continuing.

For family leaders, the practical implication is that ESG should not be evaluated only on financial or

reputational return. The benefits inside the family — clearer succession paths, fewer intra-family disputes about purpose, deeper local embeddedness, sharper ethical identity — are harder to measure but may matter more for long-term survival.

The study is honest about its limits. All six firms are Italian ESG champions, deliberately chosen for substantive engagement. The authors acknowledge that decoupled or symbolic ESG — greenwashing, in plain terms — could generate the opposite outcomes: family scandals, internal friction, depletion of socioemotional wealth. None of those appeared in their cases, but the design did not invite them.

IMPACT

The contribution to family business research is to reposition the family as a beneficiary of ESG, not just an antecedent of it. Most prior work treated family values as the input that explains ESG behaviour. This study treats ESG as the input that reshapes family values, governance, and identity over time.

For policymakers, the message is that ESG mandates aimed only at firms miss part of the system they are trying to influence. Family firms make up 80–90% of enterprises worldwide; in Italy, AIDAF member firms alone produce around 16% of GDP. Recognising family-level benefits — and tailoring regulatory frameworks accordingly — could ease adoption without diluting the long-term orientation that makes family firms distinctive in the first place.

RECOMMENDATIONS

1. Treat ESG governance as a succession instrument, not a compliance burden. The roles, councils, and reporting structures it requires are exactly the structures that help next-generation members find a meaningful place.
2. Use ESG initiatives as the venue for cross-generational conversation. The shared work of choosing priorities builds alignment that values statements alone cannot.
3. Invest in external recognition selectively. Certifications and awards matter because they extend the family's relational capital — but only when they reflect substantive practice.
4. Codify the founder's ethical legacy in writing, with the next generation in the room. Charters, codes, and supplier requirements are the modern equivalents of dinner-table values.
5. Watch for the tensions the study did not observe. Greenwashing, resource strain, and goal misalignment are real risks. ESG strengthens family systems that are already substantively committed; it can expose those that are not.

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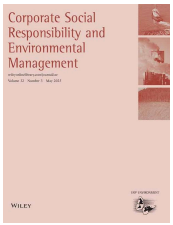

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