

How relationships with policymakers influence family firms' environmental goals?

Family firms and sustainability. How the engagement with policymakers shapes environmental practices

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Environmental sustainability is becoming an increasingly important focus for businesses worldwide. However, family firms face unique challenges in balancing their commitment to long-term sustainability with the preservation of socio-emotional wealth (SEW). This article explores how family firms differ from nonfamily firms in their environmental practices and how engagement with policymakers influences these efforts.

WHAT WE STUDIED

This study investigates how family business status influences the extent of environmental orientation and the types of incentives offered to promote sustainability. It focuses on 162 European manufacturing firms from the Carbon Disclosure Project and the Orbis database. The researchers analyze how family firms' sustainability efforts change when they engage with policymakers and what types of incentives they offer to promote environmental practices.

KEY INSIGHTS

1. Family Firms and Environmental Orientation

Family firms tend to be more committed to environmental sustainability than nonfamily firms. This is likely due to their long-term orientation and concern for family reputation, which drives them to prioritize environmental practices even at the expense of short-term financial gains.

2. Policymaker Engagement

Engagement with policymakers tends to reduce the extent of family firms' environmental orientation. This engagement appears to provide family firms with a

sense of legitimacy that allows them to focus on more targeted environmental initiatives rather than broad, extensive efforts. While this helps preserve their socio-emotional wealth, it also limits the scope of their environmental activities.

3. Types of Incentives

Family firms are more likely to offer monetary incentives to promote environmental practices compared to nonfamily firms. Additionally, they tend to implement more inclusive incentive systems, involving not just top management but also middle managers and employees in their sustainability efforts.

TAKEAWAYS

1. For Family Business Owners

Family firms should be aware of the impact of engaging with policymakers on their environmental sustainability efforts. While this engagement can help protect socio-emotional wealth, it may also limit the scope of environmental initiatives.

2. For Policymakers

Policymakers should recognize the unique dynamics of family firms and develop strategies that encourage more comprehensive environmental practices without compromising family firms' concerns over socio-emotional wealth.

3. For Researchers

Future research should explore the long-term impact of family firms' environmental practices and how different types of policymaker engagement influence their sustainability efforts.

IMPACT

The study provides new insights into the environmental sustainability practices of family firms, highlighting the importance of socio-emotional wealth in shaping their approach to sustainability. It also underscores the need for tailored policymaker engagement strategies to support family firms in achieving long-term environmental goals.

RECOMMENDATIONS

Family firms should strive to balance their environmental orientation with their engagement with policymakers. Offering a mix of monetary and non-monetary incentives, while involving a broad range of employees in sustainability efforts, can help family firms maintain their commitment to environmental sustainability.

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