

FAMILY FIRMS AND THEIR SOCIAL RESPONSIBILITY DISCLOSURE

Klára Kašparová¹

Abstract

Family firms play an important role in the economy. Even they are more conservative than non-family firms, they monitor new trends like corporate social responsibility reporting as well. Studies on family business CSR reporting are not widespread. Because of this, the aim of paper was to find out whether and about what topics family firms disclose information, in what detail and where. Author analysed websites of the 30 Czech largest family firms using content analysis. Results show that family firms disclose more often information about their activities in the community and about their certification standards or more precisely about fulfilment of their commitments resulting from voluntarily accepted norms. If they decide to disclose CSR information, they often provide information in more detail. Information about their social responsibility behaviour is placed usually in the section called “About Us” most frequently in subsections and partly directly in the main body of the section.

Key words: family firms, CSR reporting, website, community, standards

Introduction

Family businesses play a significant role in the national economy. Although they are known for their cautious approach, they also follow and reflect new trends in management (Miller and Le Breton-Miller, 2006), such as corporate social responsibility reporting (CSR). According to KPMG, this can be defined as a process by which a company can gather and analyse the data it needs to create long-term value and resilience to environmental and social change (de Boer et al., 2013).

With the increase in the amount of information on socially responsible behaviour, there has also been an increase in the number of studies about CSR reporting in relation to various factors. However, so far there have been few studies exploring how family businesses report their socially responsible behaviour (Campopiano and De Massis, 2014). This was the main

¹ Masaryk University, Faculty of Economics and Administration, e-mail: klarad@econ.muni.cz

reason why this paper focused on discovering which CSR activities Czech family business provide information on and to what extent.

The structure of the paper is as follows: The first section introduces theories explaining the motivation of family businesses for CSR and presents the activities they concentrate on. The second section describes the methodology used. The next section presents the empirical results which is followed by a discussion on their value and limitations, followed by a conclusion.

1 Family firms and their CSR disclosure

According to the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic, family businesses make up 30% of the total GDP of the Czech Republic (Jenšíková, 2017), and their share will probably continue to increase in the future (Specifics of Family Business, 2016). Therefore, it is surprising how little research has been carried out into this form of business, including in relation to other concepts such as social responsibility (Panwar et al., 2013; Campopiano and De Massis, 2014).

In order to explain the reasons for family firms being linked to CSR, two concepts are most often used – stewardship theory and the socioemotional wealth model. By employing these, we are able to identify the themes which these firms are most involved in. This might also accurately predict which CSR themes family firms will provide information on. Therefore, the following text presents the aforementioned concepts and the preferred CSR activities of family firms.

According to stewardship theory, the managers of family firms subordinate their own interests to the collective goals (Miller and Le Breton-Miller, 2006, Marques, Presas and Simon, 2014). The firm is thus seen as an expansion of the family and they dedicate themselves to those activities which are beneficial for the family (Marques, Presas and Simon, 2014). The more the family members are attached to the firm, the greater the willingness of the firm to be involved in socially responsible activities (Marques, Presas and Simon, 2014). According to this theory, family firms view stakeholders more often as partners (Laguir, Laguir and Elbaz, 2015). They are more involved with community issues, they invest more in their employees, they protect their reputation and try to provide superior products or services (Miller and Le Breton-Miller, 2006).

The socioemotional wealth model rejects the idea that family firms have a self-sacrificing management (Berrone, Cruz and Gomez-Mejia, 2012). However, in common with the stewardship theory it suggests that the managers of family firms are strongly interested in transgenerational sustainability, which is why they try to build a positive image of the firm

and protect it, even at the cost of short-term economic losses. There is also an explanation for why family firms with longer histories in the market show a greater sensitivity towards CSR, which they see as a tool for preserving the firm for its successors (Campopiano and De Massis, 2014). Due to the various types of kinship ties and the perception of the surroundings as an extension of the family, family firms are more involved in the local community through sponsorship or philanthropy (Berrone, Cruz and Gomez-Mejia, 2012), and there is a greater level of environmental protection (Campopiano and De Massis, 2014).

2 Methodology

This paper had two objectives – the first was to discover which socially responsible activities family firms mentioned in their websites, while the second was to discover in which sections of the websites the information on CSR activities was provided and how detailed the information was. The author chose to analyse the contents of websites despite the KPMG's findings that the majority of companies provide most of their CSR information in their annual reports (King et al., 2015). The author decided on this approach because annual reports in the Czech Republic are not widely used to provide this information (Kašparová, 2015) and Czech firms often provide information on their CSR activities in their websites (Peters, Wagner and Boučková, 2014; Strouhal et al., 2015).

For the analysis the author selected the first 30 Czech family firms from a list established by the magazine Forbes for 2016 (Forbes, 2017). One condition for being on the list was not just the size of the firm (measured by sales and EBITDA), but the requirement that at least two generations from the family or siblings worked for the firm (Forbes, 2017). These two requirements (size and longevity in the market) increased the probability of the firm implementing CSR and publishing information on CSR (Laguir, Laguir and Elbaz, 2015; Campopiano and De Massis, 2014).

To acquire the data the author used a conceptual content analysis focused primarily on quantifying the presence of defined characters. The coding scheme was created with the help of open coding, i.e., it emerged from the raw data. As recommended by Neuendorf (2002), the author read all of the websites to find any information relating to CSR. This was then arranged according to the level of similarity and the text was coded. The data was processed using MS Excel.

3 Results

This section of the paper presents the results of the research in relation to the established objectives. The analysis shows that family firms do provide information on their socially responsible activities and that this information tends to be quite detailed when they decide to

report. They not only show that they carry out activities in these areas, but they describe these activities in more detail (they specify the activity, they identify the recipient, and sometimes they even provide data on the activity).

Tab.1 The occurrence of CSR themes in individual website sections

Theme/detail	Information not provided	General information	Detailed information
Activities in the community	17	4	9
Information on certification, fulfilling selected standards	17	1	12
Activities focusing on employees	18	5	7
Activities or commitments towards protecting the environment	18	5	7
Ethical behaviour in the market	22	8	0
Awards	23	2	5
Commitment to choose suppliers who also effectively use resources/act responsibly	26	1	3

Source: author.

Tab. 1 provides an overview of the themes represented. If a particular theme appeared on a website on more than one occasion (e.g. in different sections), then it was only counted once. The analysis shows that family firms most often provide information on their activities in the community on their websites (information on donations, sponsorship and cooperation with schools) and their certifications or pledges resulting from voluntarily accepting standards (most often mentioned are the ISO standards). 43.3% of firms provide information on these themes.

Other frequently mentioned themes are activities which firms develop for their employees or potential employees and activities or commitments directed towards protecting the environment. These themes are mentioned by 40.0% of firms. Other themes are mentioned less frequently. 26.7% of firms provide information on the firm's ethical behaviour, and 23.3% on awards they have received. Only 13.3% of family firms provided information on commitments to choose suppliers who act socially responsibly.

Tab. 2 The occurrence of CSR themes in individual sections of websites

Themes/placing	Main pages	About us	Subsection of the section About us	Current events	Careers	Other
Activities in the community	3	3	9	3	2	0
Information on certification, fulfilling selected standards	2	6	8	2	0	3
Activities focusing on employees	0	0	4	3	7	1
Activities or commitments towards protecting the environment	1	2	7	1	0	2
Ethical behaviour in the market	2	3	2	0	0	1
Awards	1	3	3	3	1	1
Commitment to choose suppliers who also effectively use resources/act responsibly	0	0	3	0	0	1

Source: author.

Tab. 2 presents the occurrence of CSR themes in individual sections of websites. The analysis shows that family firms most often provide information on their CSR activities in a subsection of the section About us, or directly in the section About us. One exception is the information about activities focused on employees, which most often appear in the Careers section. Information on CSR themes also quite frequently appears in the Current events section.

A comparison of the themes in Tab. 1 and 2 shows that some of the themes appear in the website on more than one occasion. The most frequently published information concerns awards received relating to the quality of a product, treating employees fairly and information about certifications based on selected standards, and activities in the community. There is only one place where there is information on the firm's ethical behaviour in the market and about commitments to choose suppliers who act socially responsibly.

Discussion, limitation and conclusion

Despite the fact that family firms play a significant role in the economy, which can be expected to increase in the coming years, until now there has been little research into how they provide information on their socially responsible activities. Therefore, one of this paper's objectives was to discover which CSR activities family firms provide information on and how detailed this information is. It was decided to analyse their websites as in the case of the Czech Republic this is where most of the information on CSR is to be found (Petera, Wagner and Boučková, 2014; Strouhal et al., 2015). The second objective was to discover which sections this information fell under.

However, the research has several limitations. The first of these is due to the choice of objectives and methods. It focuses only on researching CSR disclosure and does not correspond to the firm's actual conduct. Further research, however, could connect these areas and discover whether there exists a disparity between the information provided and the actual conduct. Another limitation lies in analysing family firms as a whole due to the sample size. As Bergamaschi and Randerson (2016) point out family firms are heterogeneous and their perception of CSR and CSR reporting are influenced by which of the three elements of Tagiuri and Davis's three-circle model is dominant. The final limitation comes from the coding carried out by the author herself. According to Neuendorf (2002), the involvement of independent coders who are not part of the research design increases the reliability of the research.

The research shows that the firms under research most often provided information on their activities within the community. This finding is quite surprising in the context of other Czech research work, which, however, did not take into account the specifics of family firms. Here it was discovered that firms most often provided information on their activities linked to the environment (Kašparová, 2011, Zborková, 2012, Petera, Wagner and Boučková, 2014). However, this could be due to the specific characteristics of the family firm as indicated by stewardship theory and the socioemotional wealth model. It would be interesting in further research to discover whether there exists a difference in CSR reporting between Czech family firms and non-family firms.

Family firms put the same amount of effort into providing information about their certifications, based on certain standards and fulfilling the commitments that emerged from them, as they did for their activities in the community. Kašparová (2012) also came to a similar position in an analysis of annual reports of Czech businesses. One reason for

providing this information might be an attempt to demonstrate that the processes within the firm are well established and monitored continuously. Consequently, this could contribute towards building a positive image, which according to the aforementioned theoretical approaches is one of the priorities of family-firm managers (Miller and Le Breton-Miller, 2006, Campopiano and De Massis, 2014). The same reasoning could be behind the publication of information on awards they have received. Although only 23.3% of firms published this information, alongside information on certifications, this is mentioned most frequently in various sections of the websites.

The research also shows that if a firm decides to provide information on its CSR activities, then it often provides detailed information. Due to the lack of development of CSR reporting in the Czech Republic, this finding is slightly surprising (King et al., 2015, Kašparová, 2015). However, it is possible that the result was due to the medium chosen, as this observation is often based on an analysis of annual reports or sustainability reports. On the other hand, most of the information is to be found in the various subsections of the About us section, i.e., the information is at first glance hidden to visitors to the website and they have to search for it in the firm's website. This may testify to the fact that family firms do not see CSR as a comprehensive concept in the co-creation of the firm's strategy.

One exception to this is the provision of information about a firm's activities aimed at its employees. This is the only information which is found in a different section – the Careers section. Family firms struggle over the long term to acquire and motivate workers who are not members of the family (Specifics of Family Business, 2016; European Family Business Barometer, 2016). Highlighting the benefits which the firm offers and explaining the values they hold can help in recruiting a suitable workforce. It also shows that the first thing Czechs expect from firms is that they will treat their employees fairly (CSR & Reputation Research, 2017). Therefore, providing information on these issues makes sense for attracting potential candidates.

The IPOS research also shows that for 79% of Czechs it is important that their employer is responsible (CSR & Reputation Research, 2017). Marques, Presas and Simo (2014) state that an employer's socially responsible behaviour in the community even increases employee satisfaction and strengthens pride in the firm. Therefore, in light of the aforementioned problem with the recruitment and motivation of non-family employees, it makes sense to provide information on these activities in the Careers section. However, the data suggests that family firms do not do this very often.

Bibliography

- Bergamaschi, M. and Randerson, K. (2016). The future of family businesses and the development of corporate social responsibility. *Futures*. Elsevier. (75), pp.54-65. ISSN: 0016-3287.
- Berrone, P., Cruz, C. and Gomez-Mejia, L. (2012). Socioemotional Wealth in Family Firms: Theoretical Dimensions, Assessment Approaches, and Agenda for Future Research. *Family Business Review*. SAGE. 25(3), pp.258-279. ISSN: 1741-6248.
- Campopiano, G. and De Massis, A. (2014). Corporate Social Responsibility Reporting: A Content Analysis in Family and Non-family Firms. *Journal of Business Ethics*. Springer. 129(3), pp. 511-534. ISSN: 1573-0697.
- CSR & REPUTATION RESEARCH 2016*. Únor 2017. Vybrané výsledky výzkumu - veřejná část. (2017). 1st ed. [pdf] Praha: IPSOS, p.10. [Accessed 17 Apr. 2017]. Available from: http://www.ipsos.cz/public/media/tiskove_zpravy/Ipsos%20CSR%20REPUTATION%20RESEARCH%202016_vybran%C3%A9%20v%C3%BDsledky%20z%20ve%C5%99ejn%C3%A9%20%C4%8D%C3%A1sti%20v%C3%BDzkumu.pdf
- de Boer, Y., Bartels, W., McKenzie, M., Austin, E., Javaux, B. and Canteenwalla, A. (2013). *The KPMG Survey of Corporate Responsibility Reporting 2013*. 1st ed. [pdf] KPMG International Cooperative, p.82. [Accessed 1 Apr. 2017]. Available from: <https://assets.kpmg.com/content/dam/kpmg/pdf/2015/08/kpmg-survey-of-corporate-responsibility-reporting-2013.pdf>
- European Family Business Barometer 2016*. (2016). 5th ed. [pdf] KPMG International Cooperative, p.30. [Accessed 3 Apr. 2017]. Available from: <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2016/08/european-family-business-barometer.pdf>
- Forbes. (2017). *65 největších rodinných firem*. 65 největších rodinných firem ve speciálu Forbes. [online]. [Accessed 3 April 2017]. Available from: <http://www.forbes.cz/rodinne-firmy/>
- Jenšíková, J. (2017). Rodinné stříbro se neprodává, pečuje se o ně. *TRADE NEWS*, Praha: Antecom. (1). [Accessed 19 Apr. 2017]. ISSN 1805-5397. Available from: <https://itradenews.cz/rozhovory/462/rodinne-stibro-se-neprodava-pecuje-se-o-ne>
- Kašparová, K. (2015). Implementation of innovative practices in corporate social responsibility of Czech company In: *Proceedings of the 3rd International Conference*. 1st ed. Prague: Oeconomica, 2015. pp.108-117. ISBN 978-80-245-2092-6.

- Kašparová, K. (2011). *Reportování o společenské odpovědnosti podniku*. 1st ed. Brno: Masarykova univerzita, p.188. ISBN 978-80-210-5694-7.
- King, A., Bartels, W., McKenzie, M. and Austin, E. (2015). *Currents of change: The KPMG Survey of Corporate Responsibility Reporting 2015*. 1st ed. [pdf] KPMG International Cooperative, p.48. [Accessed 19 Apr. 2017]. Available from: <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/02/kpmg-international-survey-of-corporate-responsibility-reporting-2015.pdf>
- Laguir, I., Laguir, L. and Elbaz, J. (2015). Are Family Small- and Medium-Sized Enterprises More Socially Responsible Than Nonfamily Small- and Medium-Sized Enterprises? *Corporate Social Responsibility and Environmental Management*. John Wiley & Sons Ltd and ERP Environment. 23(6), pp.386-398. ISSN: 1535-3966.
- Miller, D. and Le Breton-Miller, I. (2006). Family Governance and Firm Performance: Agency, Stewardship, and Capabilities. *Family Business Review*. SAGE. 19(1), pp.73-87. ISSN: 1741-6248.
- Neuendorf, K. (2002). *The content analysis guidebook*. 1st ed. Thousand Oaks: SAGE, p.301. ISBN: 0-7619-1977-5.
- Panwar, R., Paul, K., Nybakk, E., Hansen, E. and Thompson, D. (2013). The Legitimacy of CSR Actions of Publicly Traded Companies Versus Family-Owned Companies. *Journal of Business Ethics*. Springer. 125(3), pp.481-496. ISSN: 1573-0697.
- Petera, P., Wagner, J. and Boučková, M. (2014). Analysis of CSR Reporting Practices of the Largest Companies Domiciled in the Czech Republic. In: *Proceedings of the 8th International Scientific Conference INPROFORUM*. České Budějovice: INPROFORUM, pp.21-27. ISSN 2336-6788.
- Marques, P., Presas, P. and Simon, A. (2014). The Heterogeneity of Family Firms in CSR Engagement. *Family Business Review*. SAGE. 27(3), pp.206-227. ISSN: 1741-6248.
- Specifika rodinného podnikání. (2016). 1st ed. [pdf] p.24. [Accessed 2 Apr. 2017]. Available from: <http://www.asz.cz/filemanager/files/file.php?file=222808>
- Strouhal, J., Gurviš, N., Nikitina-Kalamäe, M. and Startseva, E. (2015). Finding the Link between CSR Reporting and Corporate Financial Performance: Evidence on Czech and Estonian Listed Companies. *Central European Business Review*. Prague: University of Economics. 4(3), pp.48-59. ISSN 1805-4862.
- Zborková, J. (2012). Corporate Leadership in the 21st Century and Its Influence on Sustainability Reporting. In: *Proceedings of the European Conference on Management*,

Leadership. Reading: Academic Publishing International Limited, pp.442-448. ISSN: 2048-9021.