Family firms and ESG performance: the role of generational stage

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Abstract

Purpose – *Despite the heterogeneity of family businesses in terms of generational ownership stage, scholars have paid little attention to this relevant factor when exploring environmental, social and governance (ESG) performance of family firms. So, drawing on socioemotional wealth (SEW) perspective, the purpose of this paper is to shed light on the propensity of family firms to engage in ESG practices and how it varies due to the generational stage.*

Design/methodology/approach – *This study describes the relationship between family firms and ESG performance (measured by Refinitiv ESG scores) by using a large sample of 24,302 European listed family and nonfamily firms. Following previous literature, family firms are those where family holds 20% or more of equity stake and at least a family member seats on the board of directors. This paper used an ordinary least squares regression approach, paired with a propensity score matching to solve potential endogeneity.*

Findings – *The main results indicate that ESG performances are higher in family firms compared to nonfamily counterparts. However, this study observed relevant differences when conditioning upon generational stage, with the previous result confirmed only for later generations, while founding generation's firms negatively influenced ESG scores. These results are clear evidence of the de-emphasis on socioemotional considerations and family-centered goals as generational stage increases, leading to a greater attention toward external stakeholders.*

Research limitations/implications – *As this paper uses a European sample of listed firms, the results may be generalized with caution, especially when trying to extend them to the Anglo-Saxon capitalism, characterized by a greater ownership dispersion. In this respect, future studies could explore the role of the family-firm status on the ESG performance by further conditioning upon different types of ownership structures. Future avenue of research could also explore the effect of other governance mechanisms (i.e. the presence of outside independent members of the board) in shaping family members' propensity to embrace sustainable business practices.*

Practical implications – *The results have several implications for investors, managers and policymakers. In fact, in searching for socially responsible investments, investors should be aware of the different motivations of family members (according to the generational stage) in boosting ESG performance. Similarly, ESG-oriented managers should be aware of the possible divergences with founding generation family owners in the adoption of ESG practices. Finally, policymakers should implement rules and incentives to stimulate founding generation family firms' attitude toward ESG practices.*

Originality/value – *The findings advance the ESG literature by answering to the call of previous research pointing out the importance of exploring ESG behaviors in different organizational settings. In addition, this study contributes to the literature on family firms by demonstrating the importance of generational stages, as different stages are likely to be associated with different family incentives and goals, consistent with the SEW framework.*

Keywords *ESG, Family businesses, Founding generation, Later generations*

Paper type *Research paper*

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1. Introduction

Over the last years, corporate social responsibility (CSR) literature has outlined the relevance to explore how social activities may vary depending on different organizational

settings (Dahlsrud, 2008; Mariani *et al.*, 2021). Simultaneously, an emerging strand of empirical research in CSR sheds light on quantitative modeling of firms that are assessed on environmental, social and governance (ESG) factors (Sabbaghi, 2023). This poses a relevant emphasis on the study of ESG performance within the setting of family firms, representing the most common form of organization around the world (Broccardo *et al.*, 2019) and providing a significant contribution to the world economic development (Casillas and Acedo, 2007). Therefore, their ubiquitous presence has the potential to support governments to address the most relevant social challenges (Samara *et al.*, 2018), making the inquiry on social behaviors of family firms a crucial issue.

To date, some studies have been conducted to investigate the effect of family status on ESG performance, showing contrasting results. In fact, a first strand of literature points out that family firms are found to significantly adopt socially responsible behaviors (Danco and Ward, 1990; Berrone *et al.*, 2010), in line with the idea that family businesses have a long-term horizon and pay attention to the survival of the business over time (Cordeiro *et al.*, 2021). Indeed, business prosperity and an enduring competitive advantage depend inextricably on the support of all family firm stakeholders (García-Sánchez *et al.*, 2021; Hafner, 2021). Anyway, some studies demonstrate that they may show lower levels of ESG performance (Ghoul *et al.*, 2016; Miroshnychenko and De Massis, 2022), due to their reluctance to innovate their business model and the lack of financial and human resources (Sarkis, 2003) required for implementing sustainable practices. In addition, family firms can be more inclined to a market-oriented logic at detriment to social responsibility, when firm performance does not match satisfying levels (Tiberius *et al.*, 2021; Sun *et al.*, 2024).

Scrutinizing previous studies on family firms' ESG outcomes, two main limitations emerge. First, although over the last years literature has pointed out the relevance of family firms' heterogeneity (Daspit *et al.*, 2021), only few studies explore how some family firm antecedents may affect social performances (e.g. Block and Wagner, 2014; Dick *et al.*, 2021). More specifically, previous studies tend to fall under the simplistic assumptions that family firms constitute a homogeneous category of firms (Moores *et al.*, 2019), while nowadays researchers widely acknowledge that they have peculiar features and that succession intensions (Fiegener *et al.*, 1994) are a prominent source of heterogeneity. The second main limitation is that previous studies exploring the effect of family firms on sustainable performance (e.g. Dawson *et al.*, 2020) mostly consider only a specific measure of ESG, despite its multidimensional concept, and therefore neglecting the effect of family firm status on other social dimensions. By investigating the effect of family-related variables on ESG performance, in the present study we can attain a holistic view of family firms' social behaviors.

With this in mind, the aim of this study is twofold. First, we aim to analyze whether family firms are more inclined to adopt ESG practices than nonfamily counterparts overcoming the limitation connected to the lack of heterogeneity. Indeed, we take into account the role of generational stage that is widely recognized as a factor that emphasizes the differences among the universe of family firms. Later generations family firms differentiate from earlier ones in terms of risk-taking, business control, noneconomic wealth and binds with stakeholders that in turn affect the propensity to adopt sustainable behaviors. Second, we also consider a specific generational stage, the founding one, that has such specific features to make it unique in terms of sustainability profile. Indeed, the founder attitude toward growth and the strong emphasis on business' nonfinancial wealth are detrimental for stakeholders' instances.

In this research, we address a gap in existing literature by concentrating on the ESG performance and its primary antecedents. Our approach is guided by a classification system originally developed for understanding heterogeneity within family firms (Hernández-Linares *et al.*, 2017). This taxonomy is built around three fundamental concepts: ownership, management and continuity, where continuity refers to the effective

transition of the business across generations (Dawson *et al.*, 2020). In our study, we interpret continuity specifically as the generational stage of the family firm.

Therefore, we pose the following research question to deepen our insight into the heterogeneity among family enterprises concerning their engagement in ESG performance: *How do family involvement in management and the company's generational stage influence ESG performance of family firms?*

Using a sample of 24,302 European listed family and nonfamily firms, we find three main results.

The first finding is that family firms positively affect ESG performances. In fact, the strong identification of family members with their own business, as well as family's reputation and image stimulate them to be more careful about stakeholders' requests on corporate behavior (Zellweger and Nason, 2008). The second finding is that founding generation negatively influences the ESG scores, because the relevant control that family has at the founding stage on strategic decision and policies allows family members to pursue family-centered goals at detriment of ESG behaviors. Finally, we point out a positive relationship between later generations and the measures of ESG. As generational stage increases, family members are less concerned to pursue family-centered goals, while they perceive more important to take into account external and internal instances.

Our findings make several contributions. First, they enrich the ESG literature, by offering new insights on family firms' social performance and answering to the call of the scholars that pointed out the need of investigating social behaviors taking into account different organizational settings (Dahlsrud, 2008; Mariani *et al.*, 2021). Second, this study extends previous literature on family firms' corporate social behaviors, by showing how ESG scores are not constant throughout their life but vary depending on generational stage (Cruz and Nordqvist, 2012; Diéguez-Soto *et al.*, 2022). Third, this work also advances the literature on family firms' heterogeneity, that considers the family involvement in management and ownership as a relevant source of different ESG behaviors of family firms (Daspit *et al.*, 2021), and helps to disentangle the contrasting results surfaced by previous studies. Finally, differently from previous studies, our analysis concentrates on a deeper understanding of the contribution that family firms offer to each single factor of ESG performance. Indeed, as generational stage increases, family firms manifest different propensities to be engaged in the several subpillars of sustainable performance. Given this differentiation in behaviors, we analyze the family effect on both ESG as a whole and its subpillars, by pointing out how different sustainability dimensions receive greater impulse from family status depending on the distance of business from its foundation and, consequently, from the incumbent generation.

2. Literature review

Family business scholars have emphasized family firms' attitude toward sustainable practices. There are two opposite views. The first strand of literature points out that family's noneconomic utility deriving from being acknowledged by the local community pushes family owners to assume behaviors consistent with CSR, such as less discrimination, hazardous waste, tax disputes and so on (Block and Wagner, 2014). Family owners tend to behave as good citizens to avoid a public stigmatization which would harm family's name (Dyer and Whetten, 2006). Family members' propensity to adopt decisions generating advantages to offspring produces a patient capital (Sirmon and Hitt, 2003) that reduces the emphasis on short-term returns. This long-term perspective stimulates environment-friendly policies that need an extended horizon to create legitimacy (Russo and Harrison, 2005). Family firms also show better environmental performance (Berrone *et al.*, 2010) since, while family owners sustain only a portion of the risk associated with the environmental investment, they gain enormous utility in terms of institutional credit that increases their

socioemotional wealth (SEW). Local roots positively affect family firms' environmental performance to a larger extent than for nonfamily counterparts. Indeed, at the local level, the boundaries between family, business and society tend to be more nuanced and an irresponsible behavior more easily identified and condemned. Firms' actions harming local environment could be regarded as a personal betrayal rather than unpleasant business decisions that, in turn, damage the family's reputation.

Family firms tend to consider their stakeholders as partners and are inclined to connect with pertinent stakeholders that show beliefs and principles closely matching the unique and lasting characteristics of the company, and tend to undertake social initiative with employees, consumers and communities (Bingham *et al.*, 2011).

Anyway, researchers also highlight the reluctance of family firms in undertaking sustainable practices. For example, family firms are found to adopt less green supply chain management practices because while, on one hand, these contribute to innovate their business models (Cillo *et al.*, 2019), on the other hand, they represent complex processes which need a huge amount of financial and human resources (Sarkis, 2003). Given family firms' limited resources and reluctance to change their business models, green practices can be found to be less adopted by family firms (Miller *et al.*, 2014). Greening firm's supply chain entails rearranging binds with different stakeholders (Huybrechts *et al.*, 2011). These environmental approaches represent risky processes taking too long to be implemented, thereby discouraging family firms to undertake them.

Certain entrepreneurial families might undervalue the significance of sustainable standards, particularly regarding the survival of the enterprise. This oversight can diminish the likelihood of successfully passing ownership rights to future generations. The attention toward nonfinancial wealth can lead to strategic inertia which can hinder information sources and creativity (Berrone *et al.*, 2012), overrating private binds with stakeholders, neglecting relative costs (Swab *et al.*, 2020), and considering only family relationships regardless of family members' competences (Kalm and Gomez-Mejia, 2016). Family members also can have different views, propensities and perceptions which reflect on different SEW preferences, which reduces propensity toward sustainable investment (Wang *et al.*, 2021).

These contrasting results reflect the approach of previous studies, considering family firms as a homogeneous category holding constant behaviors about sustainable preferences. By considering the concept of heterogeneity (Hernández-Linares *et al.*, 2017) and the different generational stage of family firms, we are able to shed new lights on different family firms preferences in terms of ESG and its antecedents.

3. Theoretical framework and hypotheses development

To explore ESG behaviors within the setting of family firms, we use the SEW framework, which contends that when family members have to take strategic decisions, they consider not only their consequences on financial wealth but also on affective wealth (Gómez-Mejía *et al.*, 2007; Kosmidou and Holt, 2022). The latter endowment constitutes the emotional value that family members are able to extract because of their control over the business (Kotlar *et al.*, 2018).

Under SEW perspective, family owners consider emotional endowment as their reference point when they evaluate strategic decisions and the choice of family owners with regards to strategies and policies is often dictated by the desire to protect affective endowment (Glover and Reay, 2015).

Family members are generally adverse to emotional loss and their greater or lower propensity varies with regard to business features, by considering nonfinancial endowment as the central reference point. In other words, the main scope is to protect family emotional

endowment that may be jeopardized by an unfavorable business event (Kosmidou and Holt, 2022).

Many studies have demonstrated apparent counterintuitive family firms' behaviors aligned with SEW predictions: to preserve emotional endowment, family firms are adverse to join cooperative of mill olive oil, to undertake diversification strategies and to reduce firms' innovativeness (Gómez-Mejía *et al.*, 2007).

3.1 The impact of family firms on environmental, social and governance scores

One of the pillars of SEW refers to family firms' social relationships. SEW fosters kinship connections that offer similar communal advantages found in closed networks, such as social capital, interpersonal trust and a sense of closeness and solidarity among individuals (Uzzi, 1997). Reciprocal ties are referred to bonds within a family firm but are also extended to a wide range of constituencies, including those between family firms and the community as well (Miller *et al.*, 2011). For instance, family firms perceive as very relevant the sense of obligation toward a large set of stakeholder claims (Zellweger and Nason, 2008), not only for strictly tangible reasons. Behaviors not aligned with stakeholders' needs may be perceived as despicable and may compromise the firm's image. Under the SEW perspective, scholars emphasize a strong identity between family members and the business they run. Consequently, the firm is regarded as an extension of the family itself by both internal and external stakeholders (Berrone *et al.*, 2010) and family members pay great attention to the image they display to customers, suppliers and other external stakeholders (Micelotta and Raynard, 2011), as well as to the attitude toward employees and other internal stakeholders (Carrigan and Buckley, 2008). Therefore, to protect their SEW, family owners tend to consider – much more than nonfamily counterparts – needs, preferences and desires of stakeholders (Brief and Bazerman, 2003). In fact, a public condemnation with regard to family firms' behaviors would be emotionally frustrating and generate a SEW loss.

For example, with regard to human resources management, family firms are seen as more responsible for employees' relations, employees diversity and human right issues (Sirmon and Hitt, 2003).

The great identification between family and firm implies that consumers tend to associate family firms' products to the name and reputation of the owing family (Lyman, 1991). Therefore, family members are very careful to build a good reputation with existing and future customers, also by improving their quality and reducing the risk to be unhealthy (Bingham *et al.*, 2011) because it entails a preservation of SEW.

Family firms are also found deeply embedded in their community and often promote activities very appreciated by constituencies, such as charities, social events and philanthropy (Berrone *et al.*, 2010) that generate relevant benefits that enhance community in which they are based (Meek *et al.*, 1988).

Finally, family members perceive as relevant the willingness to transfer the business to the next generations (Berrone *et al.*, 2012). Transgenerational sustainability is considered a very relevant dimension of SEW (Zellweger, *et al.*, 2012) and generates a great emphasis on long-term horizon. In fact, from the perspective of family shareholders, family business is not like any other asset that can be easily liquidated because it represents heritage and traditions of the family (Casson, 1999). Therefore, family members consider their own business as a long-term investment to be transmitted to next generations (Berrone *et al.*, 2010). This stimulates family firms to build strong ties and long-term relationships with stakeholders (Sirmon and Hitt, 2003).

Consequently, we formulate the following hypothesis:

H1. Family firms positively influence ESG scores.

3.2 The impact of founding generation on environmental, social and governance scores

Scholars have demonstrated that in the first generation of family firms, there is a great emphasis on SEW. However, this may represent a double-edged sword (Cruz *et al.*, 2014). In fact, while, on one hand, family members are stimulated to take care of social responsibility for the spillover effect on family's image and reputation (Dyer and Whetten, 2006; Martin and Gomez-Mejia, 2016), on the other hand, they feel as relevant the family control over the business.

One of the main pillars of SEW is the influence and control over the business exerted by family involvement in management and ownership. A relevant presence of family in the ownership structure and in management positions permit family members to pursue family-centered goals, such as to develop careers for family employees and managers regardless of their competences (Haynes *et al.*, 2015), or to untie their compensation from performance (Cruz *et al.*, 2010). Those policies that favor family employees and managers are not consistent with socially responsible behaviors that, conversely, promote equal criterions on compensations and careers for all employees (European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2001).

In the same vein, the attention of family firms in preserving SEW push them to appoint with caution independent outside directors in order not to limit their discretion and influence over firm resources (Anderson and Reeb, 2004), by contradicting a good corporate governance. In fact, a greater presence of independent nonfamily directors would represent a threat to family control and discretion on strategic decisions, generating a SWE loss.

First generation family firms seem to take less care of reputational building, while they are more worried in maintaining the control over the business and focusing on survival (Ding and Wu, 2014). Consequently, if a high engagement in social activities implies an improvement in reputation and, simultaneously, a reduction of control, it will be avoided (Block and Wagner, 2014) because a greater SEW endowment would be at risk. This also implies that the fear that some powerful stakeholders (such as customers or suppliers) may compromise the family control over the business discourages family firms to undertake social behaviors that produce benefits to external stakeholders but simultaneously would jeopardize family firms' SEW.

In addition, when first generation family firms are listed, founders have been able to make their business large. Under these circumstances, founders of these firms are regarded as special individuals and tend to consider themselves more as entrepreneurs than professional managers. Some of their features, such as overconfidence and high-risk orientation, push them to be focused on growth strategies (Sageder *et al.*, 2018). The emphasis on firms' growth hampers ESG practices because they are perceived as expensive and limiting the growth opportunities of the firm (Brammer and Millington, 2008), and consequently they will be avoided.

Therefore, we expect the following:

H2. Founding generation family firms negatively impact ESG scores.

3.3 The impact of later generations on environmental, social and governance scores

As family firms move from founding generation to later generations, the concern for maintaining firm's control is gradually less pronounced (e.g. Vandemaele and Vancauteren, 2015) and family owners tend to be more inclined to preserve and nurture relationships with internal and external stakeholders, which represent a relevant dimension of SEW. More specifically, later generation family firms are inclined to pay attention to the welfare of the local community in which they are based (Brickson, 2007). In fact, as generational stage

increases, family firms become able to create long-lasting relationships, based on trust and loyalty with the community and, consequently, are more worried for external local stakeholders than founder-centric family firms and nonfamily firms with scarce connections with local issues (Bingham *et al.*, 2011), generating a positive impact in term of SEW endowment.

Furthermore, in later generations, while the desire to maintain the control over the business tends to dissolve, the reputation concerns increase (Dick *et al.*, 2021). Family managers will have emotional and reputational incentives to push the firm toward improving social performance (Samara *et al.*, 2018). Investments aimed at increasing ESG engagement permit family firms to enhance their reputational capital that, in turn, has a positive influence in terms of SEW endowment. In fact, the close identification of the family with the firm constitutes on dimension of SEW, and increasing firm's reputation positively affects family's image projected to the internal and external stakeholders.

The greater attention for ESG factors is consistent with the growing presence of nonfamily managers in later generations family firms that generally entail more formal organizational routines and hamper family discretion to achieve private benefits (Sciascia *et al.*, 2014). Accordingly, family firms are more prone to consider customers, suppliers and other external stakeholders' instances (Micelotta and Raynard, 2011), generating gain in term of SEW.

When family firms move from founder centric first generation to the second generation, more adequate governance mechanisms, more professional management style (Beck *et al.*, 2011) and more formal education (Sonfield and Lussier, 2004) tend to stimulate a greater awareness of external and internal stakeholder demands (Cruz and Nordqvist, 2012; Dawson *et al.*, 2020), increasing their social engagement and avoiding SEW loss.

Consequently, we formulate the following hypothesis:

H3. Later generations family firms positively influence ESG scores.

4. Data, variables and empirical strategy

4.1 Sample construction and descriptive statistics

To explore the connection between family involvement in ownership and the ESG performance of firms, we have curated a data set of European family and nonfamily companies between 2000 and 2019. The initial data set is derived from the Zephyr Bureau van Dijk's and CapitalIQ databases, where we selected European companies during the specified timeframe. To each sample firm, we assign an indicator variable (*Family*) equal to one for family and zero for nonfamily firms. In this respect, we follow previous literature (Prencipe *et al.*, 2014; Battaglia *et al.*, 2023) and define family firms as those jointly fulfilling two requirements: 20% or more of share capital in the hand of family members; at least one family member sitting on the board of directors. To ensure comparability with industrial and service firms, we exclude financial entities, aligning with recommendations from previous research (e.g. Mazzola and Marchisio, 2002; Anderson and Reeb, 2003; Martínez *et al.*, 2007). This initial screening results in a sample of 28,768 firms. The data set is then merged with Orbis Bureau van Dijk with a final sample of 26,734 companies. Data on industry codes and country ISO codes, as well as information on the firms' accounting details, are obtained from Orbis, with details on financial deals sourced from Zephyr. Finally, ESG data are obtained from Refinitiv. Due to missing values, the final sample is further refined to 24,302 firms, comprising 3,567 family-owned and 18,735 nonfamily entities. Definitions of variables are summarized in Table 1. Table 2 provides a detailed description of our entire sample divided by country. Table 3 provides summary statistics related to firm-specific characteristics and ESG performance both for the family and nonfamily companies, shedding light on their central tendencies and distribution characteristics. In particular, the

Table 1 Variable definition

Variables	*Definition*
Family	Dummy variable which is set at 1 when companies are family businesses and 0 otherwise
ESG	The ESG combined score provides a rounded and comprehensive evaluation of a company's ESG performance based on the reported information in the ESG pillars, with ESG controversies overlay captured from global media sources. The score ranges from 0–100, with higher values associated to more ESG
ENV	Refinitiv's environment pillar score is the weighted average relative rating of a company based on the reported environmental information and the resulting three environmental category scores
SOC	Refinitiv's social pillar score is the weighted average relative rating of a company based on the reported social information and the resulting four social category scores
CG	Refinitiv's governance pillar score is the weighted average relative rating of a company based on the reported governance information and the resulting three governance category scores
TA	Natural logarithm of total assets
Equity	Natural logarithm of equity
Leverage	Firms' leverage
ROA	The net income divided by total assets
1st generation	Dummy variable which is set at 1 for the first generation of family business and 0 for nonfamily businesses
2nd, 3rd, 4th generation	Dummy variable which is set at 1 for the second, third and fourth generation of family businesses and 0 for nonfamily businesses

Note(s): The sources of the variables used in our analysis and described in the present table are: Zephyr Bureau Van Dijk, Orbis Bureau Van Dijk, Thomson Reuters Eikon and Capital IQ
Source(s): Authors' own work

mean ESG score is 38.74, with a minimum of 6.31, a median of 28.47 and a maximum of 74.32. The standard deviation is 16.83, indicating a moderate level of variability. Thus, variability exists across all measured aspects, indicating diverse ESG performance among entities. The mean environmental score is 39.23, ranging from a minimum of 0 to a maximum of –88.25. The standard deviation is 21.45, suggesting a notable degree of dispersion. So, significant variation in environmental performance is evident among the entities studied. The social performance, with a mean of 42.34, demonstrates variability from 5.18 to 89.44. The standard deviation is 20.92, indicating a considerable spread in the data. Corporate governance has a mean score of 49.72, ranging from 3.11 to 92.23. The standard deviation is 23.32, suggesting a wide dispersion of governance practices within the dataset. Total assets have a mean of 5.57, with a minimum of 0.057 and a maximum of 11.22. The standard deviation is 2.28, indicating moderate variability. The equity variable shows a mean of 4.59, with values ranging from 0.09 to 10.48. The standard deviation is 2.21, indicating moderate dispersion. The mean leverage is 0.59, ranging from 0.04 to 1.51. The standard deviation is 2.75, indicating variability in leverage levels. Return on assets (*ROA*) has a mean of 1.34, with a minimum of –0.59 and a maximum of 0.34. The standard deviation is notably high at 72.56, suggesting significant dispersion in return values.

4.2 Empirical analysis

This section examines the general relation between family firms and ESG performance.

Understanding this relationship provides valuable insights into the broader implications of family involvement in ownership on sustainable business practices. Family-owned businesses are often associated with a focus on legacy and continuity, which may influence their commitment to ESG practices.

In particular, we run a multivariate analysis by estimating the relationship between the family firm (*Family*) and ESG performance, i.e. ESG, ENV (environmental), SOC (social) and CG (corporate governance). Furthermore, to control for the direct determinants of ESG performance, we include the following control variables: *TA*, *Equity*, *Leverage* and *ROA*. We

Table 2 Sample composition

Country	*No.*	*%*
Austria	391	1.61
Belgium	723	2.98
Bulgaria	203	0.84
Croatia	265	1.09
Cyprus	290	1.19
Czech Republic	59	0.24
Denmark	786	3.23
Estonia	81	0.33
Finland	791	3.25
France	3,018	12.42
Germany	2,628	10.81
Greece	1,101	4.53
Hungary	72	0.30
Iceland	35	0.14
Ireland	274	1.13
Italy	1,038	4.27
Latvia	135	0.56
Lithuania	122	0.50
Luxembourg	102	0.42
Malta	63	0.26
Netherlands	634	2.61
Norway	641	2.64
Poland	1,180	4.86
Portugal	289	1.19
Serbia	31	0.13
Romania	580	2.39
Russia	703	2.89
Slovak	47	0.19
Slovenia	108	0.44
Spain	713	2.93
Sweden	1,895	7.80
Switzerland	936	3.85
Ukraine	45	0.19
United Kingdom	4,323	17.79
Total	*24,302*	*100.00*

Note(s): This table shows the distributions for the entire sample. In particular, the entire sample includes publicly listed European firms
Source(s): Authors' own work

lag all independent variables by one year to mitigate the issue of reverse causality [1]. In particular, the baseline specification is the following:

$$ESG_{i,t} = \alpha + \beta Family + \gamma_1 TA_{i,t-1} + \gamma_2 Equity_{i,t-1} + \gamma_3 Leverage_{i,t-1} + \gamma_4 ROA_{i,t-1} + \theta Industry + \theta Country + \varepsilon_{i,t} \quad (1)$$

where *ESG performance* is related to ESG performance measures, i.e. ENV, SOC and CG. *Industry* stands for a vector of industry fixed effects, while *Country* represents country fixed effects. ε is the random error term. The results are reported in Table 4. More specifically, the regression results, displayed in columns (1)–(4), examine the relationship between family ownership and various performance metrics, including ESG, ENV, CG and SOC indicators. Each coefficient represents the estimated impact of the corresponding independent variable on the dependent variable. Standard errors are provided in parentheses below each coefficient, and asterisks denote statistical significance. As we can note, the coefficients for *Family* in columns (1)–(4) indicate a statistically significant positive

Table 3 Summary statistics

Variables	*No. of obs.*	*Mean*	*Min.*	*Median*	*Max*	*SD*
ESG	24,302	38.74	6.31	28.47	74.32	16.83
ENV	24,302	39.23	0	43.65	88.25	21.45
SOC	24,302	42.34	5.18	44.84	89.44	20.92
CG	24,302	49.72	3.11	50.68	92.23	23.32
TA	24,302	5.57	0.057	5.38	11.22	2.28
Equity	24,302	4.59	0.09	4.35	10.48	2.21
Leverage	24,302	0.59	0.04	0.53	1.51	2.75
ROA	24,302	1.34	−0.59	0.05	0.34	72.56

Note(s): The table reports summary statistics for the sample. The variables are defined in Table 1. The entire sample contains 24,302 firm-year observations. The descriptive statistics include the key variables' mean, minimum, median, maximum and standard deviation
Source(s): Authors' own work

Table 4 Baseline regression

Variable	*(1) ESG*	*(2) ENV*	*(3) CG*	*(4) SOC*
Family	1.550*** (3.14)	2.569***(3.78)	1.220* (1.82)	1.481** (2.47)
AGE	0.437*** (3.74)	0.382**(2.38)	0.791*** (4.99)	0.0897 (0.63)
TA	5.281*** (48.11)	6.891*** (45.60)	3.318*** (22.26)	5.327*** (39.85)
Equity	2.827*** (25.46)	3.140*** (20.53)	2.324*** (15.41)	3.096*** (22.89)
Leverage	6.166*** (10.75)	3.543*** (4.49)	7.478*** (9.61)	6.585*** (9.43)
ROA	−0.00558 (−0.24)	−0.0556 (−1.76)	0.00836 (0.27)	0.0255 (0.91)
Industry	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes
_cons	−23.47*** (−28.74)	−40.27*** (−35.81)	−4.191*** (−3.78)	−24.36*** (−24.50)
N	24,302	24,302	24,302	24,302
R^2	0.442	0.412	0.179	0.409
adj. R^2	0.442	0.411	0.177	0.408

Note(s): This table presents the baseline regression results exploring the relationship between family ownership and various dimensions of performance, including environmental, social and governance (ESG) factors. The coefficients and corresponding *t*-statistics are reported for each predictor, providing insights into the impact of family ownership, firm age, total assets (TA), equity, leverage and return on assets (ROA) on ESG-related metrics. Industry and country fixed effects are included, ensuring the consideration of sector- and country-specific factors. The results are based on a robust sample size of 24,302 observations, contributing to a comprehensive understanding of the baseline dynamics in the context of family firms and their ESG performance. *, ** and *** Indicate statistical significance at the 10, 5 and 1% levels, respectively
Source(s): Authors' own work

relationship with ESG (1.550***), ENV (2.569***) and SOC (1.481**). The relationship with CG is positive but marginally significant (1.220*). This suggests that family-owned firms tend to exhibit higher ESG, ENV, and SOC performance. The variable *AGE* has a positive and statistically significant impact on all dependent variables, suggesting that older firms tend to have higher ESG, ENV, CG and SOC scores. *TA* (total assets) and *Equity* both show positive and highly significant relationships with ESG, ENV, CG and SOC, indicating that larger firms and those with higher equity tend to have better performance in these areas. *Leverage* exhibits a positive and significant relationship with all dependent variables, implying that firms with higher leverage also tend to have higher scores in ESG, ENV, CG and SOC indicators. *ROA* does not show statistically significant relationships with any of the dependent variables, suggesting that profitability may not be a significant driver of variations in ESG, ENV, CG or SOC performance in this model. Industry and country fixed effects are included in all models, indicating that variations in performance are controlled for

industry- and country-specific factors. The models generally show reasonable fit, with R^2 values ranging from 0.179 to 0.442. The adjusted R^2 values are close to the R^2 values, suggesting that the models adequately account for the number of predictors. In summary, these regression results provide empirical evidence of the relationship between family ownership and ESG performance, as well as the impact of other key variables, in a comprehensive analysis that incorporates industry and country effects.

4.3 Endogeneity

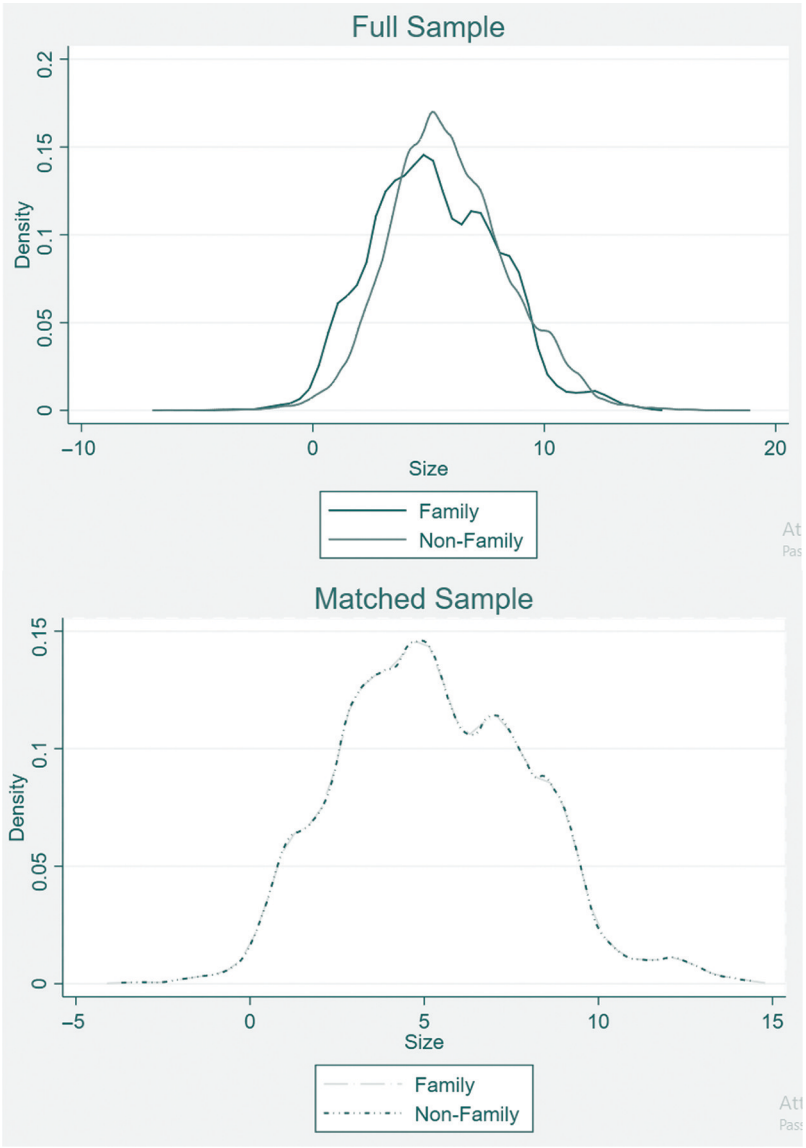
A potential drawback of the use of this sample is that family firms can be significantly different from nonfamily firms, and these divergences might be responsible for any differences in ESG outcomes.

To address the potential endogeneity concern, we use a matching procedure based on propensity scores, as developed by Rosenbaum and Rubin (1983). This methodology, used in prior studies such as Saunders and Steffen (2011) and Brav *et al.* (2018), serves to mitigate issues related to self-selection. A key advantage of the propensity score matching technique lies in its capability to establish a control group that closely resembles treated firms in terms of observable characteristics. In our context, the propensity score represents the likelihood to be a family firm, conditional on a set of independent variables. The matching algorithm initiates with the estimation of a logit model for the endogenous choice variable (*Family* = 1 for family firms, 0 otherwise) with a vector of *X* variables. Subsequently, the predicted probability from this model is used as the propensity score, and each family firm is matched with a nonfamily firm having the closest propensity score. In the logit model, we consider size and age as covariates. After implementing propensity score matching, in the spirit of Asker *et al.* (2016), we compare family and nonfamily firms by plotting density estimates for size distributions before and after matching. These graphs, which appear in Figure 1, show that the distribution after the implementation of propensity score matching almost perfectly overlaps. After the implementation of propensity score matching, the regression results are reported in Table 5. The coefficients, along with their respective standard errors in parentheses, indicate the magnitude and statistical significance of the relationships. In particular, the coefficients for *Family* in columns (1)–(4) reveal statistically significant positive relationships with ESG (2.593**), ENV (2.110**) and CG (3.812***). The relationship with SOC is positive but marginally significant (2.368*). These results suggest that, after propensity score matching, family-owned firms tend to exhibit higher scores in ESG, ENV and CG dimensions. The variable *AGE* has a consistently positive and statistically significant impact on all dependent variables, indicating that older firms, even after propensity score matching, tend to have higher ESG, ENV, CG and SOC scores. *TA* and *Equity* continue to exhibit positive and highly significant relationships with all dependent variables, suggesting that larger firms and those with higher equity maintain better performance in these areas even after addressing self-selection through propensity score matching. The variable *Leverage* shows mixed results, with a statistically significant positive relationship with ESG and CG, but not with ENV and SOC, suggesting that the impact of leverage may vary across different dimensions of performance. *ROA* demonstrates a positive and statistically significant relationship with CG but not with other dimensions, indicating that profitability may be particularly associated with CG performance. In summary, the propensity score matching results highlight the robustness of the positive association between family ownership and ESG, ENV and CG performance, even after addressing potential self-selection biases.

4.4 The role of generational stage

In this section, we present the findings pertaining to the role of generational dynamics in the relationship between ESG performance and family firms. The study examines how the different stages of family businesses, characterized by generational transitions, impact their commitment to sustainable and responsible business practices. Moreover, it is crucial to examine the analysis across generational stages, starting with the first generation, and subsequently extending the investigation to encompass subsequent generations within

Figure 1 Distribution based on firm size



Note(s): These figures present the size distributions for family and nonfamily firms in the full sample (before propensity score matching) and in the matched sample (after the implementation of propensity score matching)
Source: Authors' own work

family firms. This comprehensive approach is essential for several reasons. First, understanding the ESG performance of the initial generation provides insights into the foundational practices and values instilled in the family business from its inception. It serves as a baseline for evaluating the evolution of sustainability practices across subsequent generations. Second, exploring the ESG dynamics across different generational stages allows for the identification of potential shifts or continuities in the family business's commitment to ESG principles. This nuanced analysis helps unravel the interplay between generational transitions and sustainable business practices. In addition, the analysis is conducted across two samples: the full and the matched sample, considering propensity

Table 5 Matching with size and age results

Variable	(1) ESG	(2) ENV	(3) CG	(4) SOC
Family	2.593** (2.46)	2.110** (2.53)	3.812*** (2.87)	2.368* (1.81)
AGE	2.806*** (6.99)	4.283*** (8.14)	2.177*** (4.30)	2.566*** (5.13)
TA	3.866*** (11.52)	4.057*** (9.22)	1.854*** (4.38)	5.047*** (12.07)
Equity	3.537*** (9.73)	4.670*** (9.80)	3.330*** (7.26)	2.806*** (6.19)
Leverage	3.841** (2.08)	2.832 (1.17)	4.876** (2.09)	4.323 (1.88)
ROA	8.554** (2.52)	8.864** (1.99)	21.09*** (4.93)	3.581 (0.85)
Industry	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes
_cons	−21.91*** (−6.87)	−39.01*** (−9.33)	2.484 (0.62)	−27.19*** (−6.85)
N	1,855	1,855	1,855	1,855
R^2	0.508	0.534	0.300	0.492
adj. R^2	0.499	0.525	0.287	0.482

Note(s): This table presents the outcomes of the matching analysis, integrating size and age variables to refine the examination of the relationship between family ownership and environmental, social and governance (ESG) performance. Coefficients and associated *t*-statistics are reported for each predictor, offering insights into the impact of family ownership, firm age, total assets (TA), equity, leverage, and return on assets (ROA) on ESG-related dimensions. The inclusion of industry and country fixed effects ensures the consideration of sector- and country-specific factors. With a focused sample size of 1,855 observations, the matching approach enhances the precision of the analysis, providing a more nuanced understanding of the nuanced dynamics within family firms and their ESG performance. *, ** and *** Indicate statistical significance at the 10, 5 and 1% levels, respectively

Source(s): Authors' own work

score matching. This methodological approach enhances the robustness of the study by addressing potential self-selection biases. By comparing results between these samples, the study aims to provide a more refined and reliable understanding of the relationship between generational stage, family ownership and ESG performance in family firms. In Table 6, the analysis establishes a link between first-generation family firms and their impact on ESG performance. This section of the study specifically explores how family businesses led by the first generation contribute to, or potentially diverge from, established ESG performance metrics. Columns (1)–(4) depict the findings for the full sample, where the coefficient for "1st generation" suggests that first-generation family firms do not exhibit statistically significant differences in ESG, ENV, CG or SOC performance compared to other generational stages. Columns (5)–(8) present the matched sample results after applying propensity score matching. In this refined sample, the coefficient for "1st generation" reveals significant negative impacts on ESG (−7.401***), ENV (−8.729***), CG (−5.460**) and SOC (−9.603***). This indicates that, after matching on observable characteristics through propensity score matching, first-generation family firms demonstrate significantly lower scores in ESG-related dimensions compared to other generational stages. The variable *AGE* consistently exhibits positive and statistically significant impacts on ESG, ENV, CG and SOC in both samples, indicating that older firms tend to display better performance in these dimensions.

TA and *Equity* demonstrate positive and highly significant relationships with ESG, ENV, CG and SOC, emphasizing the importance of firm size and financial structure in influencing sustainability practices.

Leverage shows varying impacts on different dimensions in the matched sample, suggesting nuanced associations with ESG components based on generational stage.

ROA exhibits limited significance in both samples, indicating that profitability may not be a key driver of variations in ESG-related performance across generational stages. *Industry* and *Country* fixed effects are included in all models, accounting for sector-specific and country-specific factors. The models generally exhibit reasonable fit, with R^2 values ranging

Table 6 First-generation family firms' impact on ESG performance

	Full sample				*Matched sample*			
Variable	*(1) ESG*	*(2) ENV*	*(3) CG*	*(4) SOC*	*(5) ESG*	*(6) ENV*	*(7) CG*	*(8) SOC*
1st generation	−0.287 (−0.46)	−1.518 (−1.76)	−0.648 (−0.76)	1.014 (1.34)	−7.401*** (−5.36)	−8.729*** (−4.56)	−5.460** (−3.12)	−9.603*** (−5.43)
AGE	0.425*** (3.59)	0.141 (0.86)	0.950*** (5.90)	0.0616 (0.43)	7.807*** (10.60)	8.423*** (8.25)	4.866*** (5.22)	9.043*** (9.59)
TA	5.282*** (47.80)	6.899*** (45.24)	3.362*** (22.38)	5.321*** (39.58)	3.031*** (8.21)	3.233*** (6.32)	0.919* (1.97)	4.208*** (8.91)
Equity	2.786*** (24.78)	3.180*** (20.50)	2.153*** (14.09)	3.085*** (22.56)	2.760*** (6.39)	4.576*** (7.64)	1.916*** (3.50)	1.787** (3.23)
Leverage	6.891*** (11.84)	4.522*** (5.63)	8.770*** (11.09)	6.981*** (9.86)	4.224* (1.99)	3.418 (1.16)	5.827* (2.16)	5.001 (1.84)
ROA	0.00459 (0.20)	0.0536 (1.69)	0.00966 (0.31)	0.0264 (0.95)	8.020* (1.85)	3.114 (0.52)	4.930 (0.90)	27.57*** (4.98)
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
_cons	−23.57*** (−28.77)	−40.44*** (−35.78)	−4.380*** (−3.93)	−24.47*** (−24.56)	−18.41*** (−4.41)	−38.26*** (−6.61)	17.15** (3.24)	−25.53*** (−4.78)
N	23,843	23,843	23,843	23,843	1,052	1,052	1,052	1,052
R^2	0.441	0.411	0.180	0.409	0.540	0.578	0.397	0.523
adj. R^2	0.440	0.410	0.179	0.408	0.526	0.565	0.378	0.508

Note(s): This table presents the results of the regression analysis focusing on first-generation family firms within both the full sample and the matched sample. Columns (1)–(4) showcase the outcomes for the full sample, emphasizing the coefficients and *t*-statistics for environmental, social and governance (ESG) factors. Subsequently, columns (5)–(8) present the matched sample results, refining the analysis through propensity score matching. *, ** and *** Indicate statistical significance at the 10, 5 and 1% levels, respectively

Source(s): Authors' own work

from 0.180 to –0.578. The adjusted R^2 values align closely with the R^2 values, suggesting that the models effectively account for the number of predictors.

In Table 7, the analysis explores the impact of family firms from the second, third and fourth generations on ESG performance. This section of the study aims to elucidate how these subsequent generational stages influence the ESG metrics within family businesses. By separately examining the performance of second-, third- and fourth-generation family firms, the table provides a nuanced understanding of the evolving dynamics and sustainability practices across successive generational stages.

The results obtained from the regression model are presented for both the full and the matched samples, providing insights into the impact of family firms from the second, third and fourth generations on various dimensions of performance, including ESG, ENV, CG and SOC. Columns (1)–(4) depict the findings for the full sample, where the coefficient for "2nd, 3rd, 4th generation" suggests that family firms from these subsequent generational stages exhibit statistically significant positive impacts on ESG, ENV, CG and SOC performance compared to the first generation. Columns (5)–(8) present the matched sample results after applying propensity score matching. In this refined sample, the coefficient for "2nd, 3rd, 4th generation" reaffirms a significant positive impact on ESG (1.822***), ENV (5.964***), CG (2.178***) and SOC (3.055***). This indicates that, after matching on observable characteristics through propensity score matching, family firms from the second, third, and fourth generations tend to demonstrate significantly higher scores in ESG-related dimensions compared to the first generation. The variable *AGE* exhibits mixed significance across dimensions, suggesting varying impacts on ESG components based on generational stage.

TA and *Equity* consistently show positive and highly significant relationships with ESG, ENV, CG and SOC, emphasizing the importance of firm size and financial structure in influencing sustainability practices.

Leverage demonstrates diverse impacts on different dimensions in the matched sample, indicating nuanced associations with ESG components based on generational stage.

ROA exhibits limited significance in both samples, suggesting that profitability may not be a key driver of variations in ESG-related performance across generational stages. *Industry* and *Country* fixed effects are included in all models, accounting for sector- and country-specific factors. The models generally exhibit reasonable fit, with R^2 values ranging from 0.185 to 0.556. The adjusted R^2 values align closely with the R^2 values, suggesting that the models effectively account for the number of predictors. In conclusion, Tables 6 and 7 collectively provide a comprehensive examination of the interplay between generational stages within family firms and their impact on ESG performance. Table 6 delves into the specific influence of first-generation family firms, revealing nuanced patterns after applying propensity score matching. Meanwhile, Table 7 extends the analysis to subsequent generational stages, underscoring a consistent and significant positive association between family firms from the second, third and fourth generations and elevated ESG-related performance.

5. Discussion

Family firms constitute the most common form of firms worldwide (Broccardo *et al.*, 2019) and bring a great contribution to the economic development of the countries (Casillas and Acedo, 2007). Although their relevance, scant attention has been devoted to their social behaviors.

Given the heterogeneity of family firms (Daspit *et al.*, 2021), this study focuses both on the propensity of family firms to adopt ESG practices and on the effect of their generational stage.

Table 7 Impact of second-, third- and fourth-generation family firms on ESG performance

	Full sample				*Matched sample*			
Variable	*(1) ESG*	*(2) ENV*	*(3) CG*	*(4) SOC*	*(5) ESG*	*(6) ENV*	*(7) CG*	*(8) SOC*
2nd, 3rd, 4th generation	4.148*** (3.20)	9.635*** (5.41)	3.211*** (3.06)	5.802*** (3.68)	1.822*** (2.71)	5.964*** (2.71)	2.178*** (3.63)	3.055*** (2.97)
AGE	0.116 (0.97)	0.0672 (0.41)	0.490*** (3.01)	0.224 (1.54)	0.182*** (3.36)	0.276*** (3.40)	0.697** (2.12)	0.529* (1.84)
TA	5.403*** (46.90)	7.162*** (45.21)	3.517*** (22.44)	5.288*** (37.74)	3.622*** (5.66)	5.361*** (6.17)	1.340*** (2.56)	4.177*** (5.32)
Equity	2.759*** (23.66)	2.992*** (18.66)	2.240*** (14.12)	3.136*** (22.11)	3.992*** (6.26)	4.290*** (4.95)	4.091*** (4.78)	3.686*** (4.71)
Leverage	5.545*** (9.18)	2.859*** (3.44)	6.780*** (8.25)	5.938*** (8.08)	7.652*** (2.56)	7.244* (1.78)	5.842 (1.46)	9.134** (2.49)
ROA	0.00400 (0.17)	0.0475 (1.51)	0.00689 (0.22)	0.0252 (0.90)	8.274** (2.09)	7.897*** (2.57)	16.70*** (3.14)	4.812** (2.17)
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
_cons	−22.22*** (−26.79)	−39.09*** (−34.27)	−3.708** (−3.29)	−22.55*** (−22.35)	−18.01*** (−4.59)	−37.41*** (−7.01)	0.958 (0.18)	−18.50*** (−3.84)
N	23,226	23,226	23,226	23,226	779	779	779	779
R^2	0.446	0.414	0.185	0.410	0.556	0.512	0.305	0.534
adj. R^2	0.445	0.414	0.184	0.409	0.536	0.491	0.274	0.514

Note(s): This table presents regression results examining the influence of second-, third- and fourth-generation family firms on environmental, social and governance (ESG) performance. Columns (1)–(4) depict findings from the full sample, while Columns (5)–(8) focus on the matched sample, using propensity score matching to mitigate selection bias issue. *, ** and *** Indicate statistical significance at the 10, 5 and 1% levels, respectively

Source(s): Authors' own work

To preserve family's reputation, family owners may consider their status as a characteristic that push them to improve their behavior as "good citizen" for reasons that transcend tangible benefits (Bingham *et al.*, 2011). Furthermore, one of the key dimensions of SEW is represented by family members' desire to transfer the business to offspring (Berrone *et al.*, 2012). In line with this prediction, we find that family firms show greater ESG scores than nonfamily counterparts, by demonstrating their greater inclination to take into account instances of internal and external corporate stakeholders.

In addition, we concentrate on the effect of founding generation family firms and find a negative relationship between them and ESG performance. Taking into account that firms in our sample are listed, their founders have had the growth as the main goal in their career as entrepreneurs, overlooking factors that could represent an obstacle to their strategy. Considering that corporate reputation and CSR may require expensive investments (Barringer *et al.*, 1998; Block and Wagner, 2014), entrepreneurs of fast-growing firms may consider them as hindering factors of the growth and avoid them to concentrate on investments aimed to expand firm's size (Brammer and Millington, 2008).

The third result demonstrates the inclination of later generations family firms to pay attention to ESG factors. In fact, as generational stage increases, the control and influence over the business is perceived as less central for family members and an increasing attention for social instance surfaces. Simultaneously, the long relationships established with local community and with employees, along with the presence of professional nonfamily managers, stimulate a greater engage in ESG practices of family firms. In line with this, our results display the positive association between later generations family firms and ESG performance.

The divergent results with regard to the influence of family firms on ESG performance can be better understood by considering family firms' heterogeneity, by suggesting that the differences within family firms themselves might be more relevant than the differences between family and nonfamily firms. In this research, we use the taxonomy proposed for family firms' heterogeneity to shed new lights on diversity within family enterprises (Hernandez-Linares *et al.*, 2017). This taxonomy is built around three fundamental conceptual components: ownership, management and the generational phase of the family business, which serves as a marker of its continuity. The engagement in ESG practices serves as an emerging supplementary factor in distinguishing variations within family businesses, further supporting the notion that this group is featured by considerable diversity among its members. The heterogeneity of family enterprises, primarily influenced by the level of family involvement and the generational phase, results in different ESG practices as well. This indicates that categorizing such companies solely as "family businesses" may be overly simplistic and can lead researchers to reductive conclusions.

6. Conclusions

This study has three main contributions. First, our findings extend the literature on ESG, by focusing on a specific form of organization, family firm, that, with its intertwined relationships between family and business, shows unique traits that influence social behaviors. By shedding light on social performance within family firms' context, our paper enriches the literature on ESG whose scholars have called for further inquiry that takes into account different organizational settings (Dahlsrud, 2008; Mariani *et al.*, 2021).

The second contribution concerns family business literature. In fact, while previous studies have mainly focused on family involvement in ownership and governance, they have mostly neglected the role of generational stage on corporate social behavior. By considering the generation that runs the business, we take into account another family-antecedent and, consequently, are able to have a deeper understanding of the factor underlying family firms' social behaviors.

Finally, our research provides fresh perspectives on family firms' heterogeneity, as the SEW may vary over the years and, in turn, it may influence the family inclination to pay attention to ESG factors. The diversity among family businesses highlights how the emotional connection between the family and the enterprise can change over time. This evolving bond may subsequently impact the family's tendency to prioritize ESG considerations. In essence, our study tracks how the inclination toward ESG initiatives differs across the lifespan of family firms, by analyzing and contrasting the influence of the founding generation with that of subsequent generations on ESG performance.

This study has different implications for investors, managers and policy makers. In fact, by showing that later generations family firms positively impact on family firms' ESG performance, we assure nonfamily shareholders that firms in which they have invested pay attention to ESG practices and, therefore, represent a socially responsible investment. In addition, the positive effects of ESG performance on capital markets, by lowering borrowing costs, makes later generations family firms more attractive for potential growth strategies.

Managers interested in engaging in social initiatives should understand that their likelihood of success depends on the company's ownership structure and generational stage. The probability of adopting such practices is greater in family-owned businesses, particularly when these actions involve later generations. Conversely, when managers aim to implement them in founding generation family firms, they will likely have to face opposition within family firms. Interestingly, family businesses often view the absence or presence of these practices as a strategic means to maintain their SEW.

Finally, our results carry significant implications for policymakers, providing a solid foundation for implementing strategies that promote the integration of sustainability practices within the corporate landscape, especially among companies characterized by concentrated ownership structures. The importance of sustainability is growing in the development of public policies aimed at organizations broadly, and specifically at firms with concentrated ownership, which are prevalent and play a vital role in driving economic growth globally. Authorities and policy makers should reinforce laws and rules with regard to incentives that stimulate founding generation family firms to increase their investment in social activities.

This study is not free from limitations. First, it focuses on listed European family firms. Consequently, its results may be generalized with caution. More specifically, it must pay attention to extend our results to Anglo-Saxon capitalism, due to a different average firms' ownership structure, and to private family firms, where a greater overlap between ownership and family wealth occurs. Furthermore, we do not control for outside independent members of board of directors that could exert a greater control on top management decisions and bring precious skills and competences that could strengthen family firms' performance.

Future studies could start from our study to analyze the moderating effect of board structure on the relationship between family firm status and ESG performance. Future avenue of research could also analyze the effect of generational stage on social performance, comparing different forms of family involvement.

Note

1. All statistical analyses were performed using Stata 15 software.

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