

Conflict between Family and Business Interests Is a Challenge for the Sustainable Economy as Social Responsibility

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Abstract

Family businesses are the oldest productive structure of humanity, as such they maintain a predominant role in the economy, they are definitely the backbone of the production of many countries in Latin America, as they represent between 70% and 80% of the domestic product. rough. The term “family business” is generally associated with a small business in a specific location that has been in a family for several generations. They are commercial organizations, in which the members of a family make strategic decisions and that generally have or meet two conditions: One or two families own more than 50% of the ownership of the Company, or; Family members hold a management position within the Company. The members of the Family consider that the succession of the company will pass to the second generation and the members do not necessarily work in the Company; Thus, we can find small, medium and large, in terms of size. The important thing in family businesses is knowing how to distinguish the different subsystems that exist in the family and the company, as well as managing their relationship so that the company can develop over time. The objective of this scientific contribution is to demonstrate the most important criteria regarding the conflict between family and business interests, which represents a challenge for economic sustainability as social responsibility. In this sense, this document addresses the following points: i) Literature review. ii) Management Control Systems for family businesses. iii) Some rules to comply with in the management of family businesses. iv) Advantages, disadvantages and conflicts in family businesses. v) More frequent conflicts.

Keywords

Family Business, Interest Conflict, Social Responsibility, Sustainable Economy,

1. Introduction

A family business is a business entity in which ownership and management are in the hands of one or more families (Fitzgerald & Muske, 2002). These companies can vary in size and structure, from small local businesses to large multinational corporations (Klein & Bell, 2007). The main characteristics and key aspects of family businesses can be defined as: i) Ownership and Control: The ownership of the company is in the hands of one or more members of a family (Filbeck & Lee, 2000).

This means that strategic and operational decisions are often made by members of the owning family (Klein, 2000). ii) Family Involvement: Family members are usually involved in the daily management and operation of the company. This may include roles in senior management, the board of directors, or in operational positions (Stafford, Duncan, Dane, & Winter, 1999). iii) Succession: Succession planning is a crucial aspect for family businesses. It refers to how ownership and control of the business is transferred to the next generation of the family. A well-planned succession is essential for the continuity and long-term success of the company (Handler, 1989). iv) Culture and Values: Family businesses often have a distinctive culture and values that reflect the beliefs and principles of the owner family. These values can influence the way the business is run and the relationships with employees, customers, and the community (Dana & Ramadani, 2015). v) Stability and Commitment: Many family businesses are known for their stability and long-term commitment to the business. The long-term vision is often prioritized over short-term profits, which can result in more conservative management and greater investment in sustainable business growth (Llach & Nordqvist, 2010). vi) Specific Challenges: Family businesses face unique challenges, such as family dynamics in decision-making, intergenerational conflicts, and managing family expectations regarding participation and compensation (Llach & Nordqvist, 2010). vii) Well-known examples of family businesses include Walmart, Ford, and Mars, Inc., all of which are managed and largely owned by families who have passed control from generation to generation (Sundaramurthy, 2008). viii) In summary, a family business is one in which ownership and management are closely linked to one or more families, influencing strategic direction, organizational culture and business continuity (Corbetta, 1995).

The objective of this scientific contribution is to demonstrate the most important criteria regarding the conflict between family and business interests, which represents a challenge for economic sustainability as social responsibility. In this sense, this document addresses the following points: i) Literature review. ii) Management Control Systems for family businesses. iii) Some rules to comply

with in the management of family businesses. iv) Advantages, disadvantages and conflicts in family businesses. v) More frequent conflicts.

2. Materials and Methods

To carry out this research, the computational tool Publish or Perish is used. This is a software program that retrieves and analyzes academic citations. It uses a variety of data sources to obtain raw citations, then analyzes them and presents a variety of citation metrics, including number of articles, total citations, and h-index (Hidalgo, Alonso, & Pérez, 2017).

Results are available on screen and can also be copied to the Windows or macOS clipboard (for pasting into other applications) or saved in a variety of output formats (for future reference or further analysis). Publish or Perish includes a detailed help file with search tips and additional information on citation metrics (Bravo-Hidalgo & Baez-Hernandez, 2019).

You can also use Publish or Perish to decide which journals to submit to, prepare for a job interview, conduct a literature review, conduct bibliometric research, write eulogies or obituaries, or do some homework before meeting your academic hero. Publish or Perish is a true Swiss army knife (Bravo-Hidalgo & Baez-Hernandez, 2019).

On this platform, the title of this scientific contribution was used as a search criterion and the search was limited to the last 24 years (1999-2023). Only contributions such as scientific articles and books were considered. Under these criteria, 2167 investigations were detected in various databases. The search criteria used was: Conflict between family; business interests, sustainable economy, social responsibility.

3. Results

3.1. Literature Review

Below are some of the most cited researches on the research topic that works in this scientific contribution. These scientific contributions are ordered from highest number of citations to lowest.

(Hirigoyen & Poulain-Rehm, 2014) This study analyzes the links between listed family businesses and social responsibility. On the theoretical level, it establishes a relationship between socioemotional wealth, proactive stakeholder engagement, and the social responsibility of family businesses. On a practical level, our results (obtained from a sample of 363 companies) show that family businesses do not differ from non-family businesses in many dimensions of social responsibility. Moreover, family businesses have statistically significant lower ratings for four sub-dimensions of “corporate governance”, namely “balance of power and effectiveness of the Board”, “audit and control mechanisms”, “engagement with shareholders and shareholder structure”, and “executive compensation”.

(Niehm, Swinney, & Miller, 2008) Family-centered businesses may have unique perspectives of socially responsible behavior due to family involvement and ties to the community. This research explored the antecedents and consequences of community social responsibility (CSR) for family firms operating in small and rural markets. Using a national sample from the 2000 wave of the National Family Business Survey (NFBS), researchers profiled family business operators' (n = 221) to determine if their CSR orientation contributed to family business performance. Enlightened self-interest and social capital perspectives provide a framework for elaborating the role of CSR in sustaining family businesses in changing small communities. Results indicate that three dimensions, commitment to the community, community support, and sense of community, account for 43 percent of the variation in family business operators' CSR. Size of the business was significantly related to family firms' ability to give and receive community support. Further, commitment to the community was found to significantly explain perceived family business performance while community support explained financial performance. Findings suggest that socially responsible business behaviors can indeed contribute to the sustainability of family businesses in small rural communities.

(Peake, Cooper, Fitzgerald, & Muske, 2015) Small family businesses have generally been shown to exhibit significant concern for social responsibility, especially at the community level. Despite the reported heterogeneity of family firms in their preferences for and participation in social responsibility, the drivers of such differences are not agreed upon in the literature. We draw from enlightened self-interest and social capital theories by exploring their complementary and competing implications for the effect of duration and community satisfaction on participation in community-oriented social responsibility (CSR). Additionally, drawing on the association between gender and self-construal and evidence that gender shapes helping and giving behaviors, we assess the moderating role of the gender of the firm manager in these relationships. We test our hypotheses on a sample of 279 family businesses and find support that gender moderates the relationship between community duration and satisfaction and measures of CSR.

(Gallo, 2004) The social responsibilities of family businesses are still a little-studied area. This article is based on the opinions of 44 academics who are directly involved in studying and advising this type of company. The study's results indicate that family businesses are better at carrying out the responsibilities of wealth creation and delivery of goods to the market than the development of individual skills and guaranteeing their long-term continuity.

(Ahmadi, Soufeljil, Mighri, & Balloumi, 2017) The purpose of article is to investigate the effect of Small and Medium Enterprise (SME) family characteristics on their strategy through the concept of knowledge of corporate social responsibility. Based on the literature review show, the social network has a positive but low effect on corporate social responsibility. The organizational learning could

be introduced in order to explain their strategy on the corporate social responsibility. The collected data concerned 141 firms from family businesses and non-Tunisian family in 2012. The finding provides the contribution of the organizational learning and the development of knowledge on the adoption of social responsibility strategy within the family business, despite the negative effect which exercises the knowledge of CSR strategy. Similarly, the findings show that the variable conservatism has a negative effect on knowledge of the CSR. However, the social network affects positively the CSR development knowledge.

(Mohamed, Zouhayer, & Mounir, 2017) This paper aims to study the impact of the characteristics of family SMES on the strategy of Corporate Social Responsibility (CSR) family. The review of literature shows that the social network has a positive, but low effect on the social responsibility of business. However, conservatism has a negative effect on social responsibility of business. Age of the company has a positive effect on the social responsibility of business. The data have been collected from 141 Tunisian familial and nonfamilial businesses in 2012. The results obtained allow to highlight the role of social network in the adoption of the strategy of social responsibility within the family business. Similarly, the results have shown that the variable conservatism with a negative impact is statistically significant on CSR through the variable Knowledge of CSR. Finally, age of the company has no significant impact on CSR strategy.

(Maldonado-Guzman, Pinzón-Castro, & Alvarado-Carrillo, 2018) Corporate social responsibility (CSR) has been practically oriented towards large companies, and few studies have analyzed this construct in a context of family businesses, but there are few studies that relate CSR in small and medium-sized enterprises Family businesses (SMEs) and non-family businesses. Therefore, this empirical study has the essential objective of analyzing CSR in a context of family and non-family SMEs in Mexico. The results show that CSR is exactly the same in both family SMEs and non-family SMEs in Mexico.

(Iaia et al., 2019) Purpose The purpose of this paper is to identify the distinctive elements of CSR communications that characterize the communications models of family businesses in the Italian wine industry, and to compare them with nonfamily businesses. Design/methodology/approach Using a case study approach, a sample of large and medium companies practicing corporate social responsibility was identified. The content of their websites was examined using content analysis and text mining (correspondence analysis techniques and word association analysis using the T-Lab software). Findings The analysis indicates that the ownership structure nature makes a difference in the online CSR communications process. The cultural identity in both family and nonfamily businesses is founded on intangible factors such as tradition; however, being a family business is a fundamental driver in the online CSR communications process, no longer forming a bond among players in the wine industry, but rather linking with other wine family businesses. Research limitations/implications One limitation of this work is the small size of the investigated sample. An added value it

contributes is its focus on the Italian wine industry. The paper provides the essential elements that family and nonfamily wine businesses should consider in customizing their CSR communications with the brand's specific details. Originality/value the authors highlighted the similarities and differences of family and nonfamily wine businesses in terms of their online CSR communications. The authors also observed how the family wine business identity, in its multidimensional construct, has common factors with what we call "families." This research could establish a starting point for further work within this important sector.

(Chen & Cheng, 2020) Extant research focuses on firms' voluntary demand for corporate social responsibility assurance (CSRA) and highlights the roles of country- and industry-level factors on firms' CSRA decisions. We use different types of agency problems to explain their CSRA decisions at the firm level and explain why over time public family businesses (PFBs) vary in their resistance to the mimetic pressures from earlier CSRA adopters in the same sector. We analyze a sample of firms listed on the Taiwan Stock Exchange and Taipei Exchange firms during 2014-2017 and find that the likelihood of acquiring CSRA is lower in PFBs than in non-family firms. Furthermore, we find that the industry-level mimetic pressures weaken the negative association between the likelihood of acquiring CSRA and PFBs with less severe central agency problems. However, PFBs with severer central agency problems are still unwilling to acquire CSRA even under the pressure from peer CSRA adopters.

(Brunninge, Plate, & Ramirez-Pasillas, 2020) Purpose: This chapter explores the meaning and significance of family business social responsibilities (FBSRs) using a metasystem approach, placing emphasis on the role of the family. Design/Methodology/Approach: We employ a revelatory case study to investigate the complexity of family business (corporate) social responsibility. The main case, a German shoe retailer, is supplemented by other case illustrations that provide additional insights into FBSR. Findings: To fully understand social responsibility in a family firm context, we need to include social initiatives that go beyond the actual family business as a unit. This FBSR connects family members outside and inside the business and across generations. As FBSR is formed through individual and family-level values, its character is idiosyncratic and contrasts the often-standardized approaches in widely held firms. Practical Implication: Family businesses need to go beyond the business as such when considering their engagement in social responsibility. Family ownership implies that all social initiatives conducted by family members, regardless if they are involved in the firm or not, are connected. This includes a shared responsibility for what family members do at present and have done in the past.

(Rivo-López, Villanueva-Villar, Michinel-Álvarez, & Reyes-Santías, 2021) Companies in general and family businesses in particular engage in local collaborations in rather diverse areas through their corporate social responsibility activities. The COVID-19 pandemic has made these contributions to community improvement more apparent, suggesting a paradigm shift. This conceptual paper

proposes a reflection about the evolution of the corporate social responsibility activities linked to family businesses in emergencies and from the socioemotional wealth perspective. The contribution of this paper is twofold. Firstly, it provides an in-depth reflection on the evolution of philanthropy, posing the following questions: are we witnessing a reinvention of corporate social responsibility within the framework of family businesses because of the global pandemic; does this new trend deserve support, given the fundamental role that family businesses have played in this situation; and if so, what should such support consist of, and what is the optimal channel for articulating it? Secondly, the paper proposes a theoretical framework from the socioemotional wealth perspective to advance research about corporate social responsibility carried out by family businesses. Business families are more likely to implement strategies that promote ethical behavior and CSR activities in their companies. The pandemic situation has created new possibilities for developing CSR.

(Fonseca & Carnicelli, 2021) The triple bottom line of sustainability has been the foundation to assess the overall performance of organizations in the hospitality sector. Family businesses are operating in a very competitive environment, and their practices are heavily scrutinised by stakeholders. This paper considers the value of action research in the field of family businesses in the hospitality sector through the prism of organizational learning. The focus of the research is to understand how a Scottish family business learns and implements corporate social responsibility and sustainability practices and how they embed the practices in their activities in a bed and breakfast. The family business used in this research is based in Paisley, Scotland. The use of action research enabled this research to follow a recurring spiral learning process of diagnosing, planning, acting, and evaluating to achieve organizational learning. The action learning contributed to re-thinking the communication between actors involved in the Scottish hospitality sector and family businesses to open a dialogue and produce norms and to contribute to knowledge about a new small-business social responsibility orbital framework.

(Chan, Lin, & You, 2022) This paper is to shed light on the relationship between corporate social responsibility (CSR) and cash value at family businesses using 3630 firm-year observations representing 395 listed companies from Taiwan region. The results indicate that CSR has a significantly positive impact on cash value at family businesses, but no apparent relationship is supported at non-family businesses. Regarding the CSR activities, environmental protection, corporate commitment and corporate governance are consistently and significantly confirm the positive effects on corporate cash value at the family business, but social participation does not confirm this finding. The above results imply that conflict resolution view/or socio-emotional wealth view is evidenced at the relationship between family firm's CSR and cash value. To the best of our knowledge, our results are firstly documented on the relationship between cash value and CSR of family business and thus make major contributions to related

literature of family business. JEL classification numbers: G32, G34, M14. Keywords: Family Business, Corporate Social Responsibility, Cash Value.

(Szczepkowska, 2019) Family firms are the dominant form of business in the economies of the world. Depending on the definition adopted, their participation in the market is estimated at 15% - 70% of all businesses in the U.S. and the EU with a share of GDP ranging from 12 to 49%. In Poland, the family business has become an interesting research topic, especially after over 25 years of existence in the economy.

(Jurik & Bodine, 2014) This study examines the interview narratives of owners of 73 small and medium-sized businesses from a large metropolitan area located in the southwestern U.S. Our analysis focuses on owner discussions of their motivations and goals for starting and running their own businesses. Our findings reveal three central motivational narrative themes: 1) traditional business-centered success outcomes—a category we refer to as “Business is Business”; 2) owners’ personal and family well-being and fulfillment, labeled as “Business is Personal”; and 3) social responsibility concerns directed toward the betterment of other people and society more generally that we labeled as “Business is Doing Good.” Owner narratives typically referenced motives in more than one of these three realms. However, relatively, they expended considerably more time and energy discussing altruistic or social responsibility goals compared to strictly business or personal motives. Our study reveals the importance of norms of social responsibility in the discursive constructions of small and medium-sized businesses.

(Padungsaksawasdi & Treepongkaruna, 2023) Exploring the relationship between corporate social responsibility (CSR) strategy, family business, and board characteristics in Thailand provides invaluable insights into how boards of family businesses integrate CSR considerations, leading to responsible business practices and sustainable development in Thailand. Relying on the top 100 listed firms in the Stock Exchange of Thailand and the Refinitiv’s CSR strategy score, we find that family business firms or firms with CEO serving as the chairman of board engage less CSR strategy, being consistent with the agency cost hypothesis and the expropriation view of family businesses. Additionally, in line with the resource dependency theory, female directors, independent directors, board tenure, and board size positively influence a firm’s CSR. Additional analyses including the Heckman’s sample selection bias and 2SLS instrumental variable approaches show that our results are robust and are not driven by unobserved heterogeneity. More importantly, gender diversity is an exemplary governance mechanism as it is the only board characteristic with a positive effect on CSR in both family and non-family sub-samples. While board tenure is positively associated with CSR in the non-family business sample, larger board size and more board independence in the family business positively influence a firm’s CSR. Findings from the family business sample support the functional view of board and socioemotional wealth of family firms.

(Liu, Huang, Zhang, & Fang, 2024) Rapid social and environmental changes

continue to highlight the critical role of corporate social responsibility (CSR) in business operations. Research on the determinants of CSR has received widespread attention. However, there has been little focus on family businesses, which play an important function in the economy and differ from non-family firms. Synthesizing the resource-based view (RBV) with the behavioral agency theory (BAT), this study aimed to examine the factors that drive the CSR performance of family businesses from the perspective of the firm and chief executive officer (CEO) characteristics. By comparing the performance of a set of machine learning (ML) techniques, we found that the best predictive model with the lowest mean squared error is the random forest algorithm. The results from the random forest indicated that profitability was the most important attribute of CSR performance, followed by firm size, CEO education, leverage, and board ownership. This study is one of the first to adopt an ML approach to investigate the drivers of CSR performance in family businesses. The novel findings provide a deeper understanding of how the various aspects of a family business firm affect its CSR performance, which can facilitate future research.

3.2. Management Control Systems for Family Businesses

The management of a company will be dedicated to guiding individual and organizational behavior towards its goals and objectives; the use of various mechanisms will be necessary to allow the company to structure itself internally and adapt to the environment. These mechanisms can be formal in nature such as: strategic planning, the appropriate design of an organizational structure and a management information system (Dana & Ramadani, 2015).

In addition, non-formal mechanisms arise that may even have a spontaneous nature, but that can also generate valid behaviors for the organization and be consistent with the objectives and business culture. The application of these elements or mechanisms and the emphasis given to each one will depend, first of all, on the evolution of each organization, and how these elements are integrated into the very different stages that the company follows. From each other, according to the orientation that each one follows and the final objectives they pursue. Each of the company's development stages will have particular characteristics, which begin with the initial concern of generating a "product or service" to obtain greater profits. In the following stages, the importance of markets is recognized, necessary to grow and survive in the face of growing competition. Finally comes the stage that involves concentrating on the future development of the company, with emphasis on the long term, which will make it necessary to establish guidelines, formulate objectives, analyze the structures, procedures and the return on the resources invested (Corbetta, 1995).

The need for control in companies is linked to scarce resources, discretion in decision-making, differences in the definition of objectives and the complexity of organizations. It is essential that control, whether informal or formalized, from a limited or broad perspective, exists to ensure that all activities of a com-

pany are carried out as desired and contribute to the achievement of global objectives. From the point of view of a broad perspective, control should not be carried out a posteriori, but permanently and without being limited to purely technical aspects. This means that a good management control system must be carried out in a flexible manner, integrated with the company's planning and strategies. It must constitute an ex-ante process, which permanently provides feedback to the strategy implementation phase in a planning or strategic management context (Klein, 2000).

It is common to observe that in small companies and those that are just starting, the most used control mechanism is direct observation, given that the manager is interested in seeing, hearing and feeling the relationships that are occurring in their organization. These relationships can be of a material nature (resource consumed versus product) and of a personal nature, in which the behavior of its employees is controlled. In larger organizations, the data arising from each activity is recorded to compare it with the company's objectives. This record of activities and its comparison with the company's objectives will help improve the effectiveness of the organization and also serves to improve the coordination of activities in the different areas of the company and, with this, improve behavior of the individuals who participate there. If we relate the mechanisms described above with the concept of management control, regardless of the size of the companies; The first task will be to redefine the concept of typical management control; it is necessary to recognize that it must be understood as an information system that provides part of the information necessary for the analysis and decision-making of planning and control of companies. On the other hand, it is understood as a management system that induces individual behaviors and meets the goals of the organization, depending on each of the activities that individuals carry out in a company. The characteristic and central objective of a Management Control System will be to facilitate continuous improvement within an organization and all the elements or mechanisms that are used to carry it out (Brokaw, 1992). The system must be conceived as part of an efficient management system; it must have, at least, the following elements:

- Control indicators.
- Objectives linked to the different defined management indicators and the company's strategy.
- A predictive model.
- Maintain relevant information between actual results and defined objectives.
- A process of continuous evaluation of each person and/or department.

Family businesses are private business organizations whose main characteristic is that ownership of the property falls, at least, in the hands of one family. Based on this definition, it is necessary to recognize that the birth of a family business generally occurs as a consequence of the needs of the family that founded the organization, which needs to grow and develop. Achieving this objective is the responsibility of the head of the family or, failing that, another

leader of the family. The rest of the family becomes the initial source of labor, but when the family grows, some members do not work in the company. The uniqueness of this type of company lies in the fact that the ties between its managers are more important and determining than those that link other entrepreneurs. In any case, these are ties of blood, shared social and ethical values and family affinity, not just commercial or economic relations. It is these ties that, with all their peculiarities, add a series of characteristics to family businesses, which make them require a different analysis compared to other private companies. They also have characteristics of greater impersonality among the owners of capital, which causes social, economic and, above all, administrative consequences for business activity (Filbeck & Lee, 2000).

According to the International Labor Organization, in the mid-1980s, more than 50% of European businesses could be considered “family-owned” and more than 50% of staff employed in Western European companies worked in “family-owned businesses.” In the 1990s the situation did not change much, the industrial base in some European areas, which were in the hands of families, is relevant. In some states of the USA, for example, the majority of small and medium-sized businesses are family-type, especially those established as General Partnerships with or without limited liability, in which the owner or founders undertake lucrative commercial activities of different nature, with their relatives, spouse or direct descendants. The family will seek to obtain some economic benefit to satisfy their own individual needs and increase the invested assets. Profit maximization, as a fundamental objective, will also be present in family businesses, but with very different nuances from the rest of “non-family” businesses (generally, open capital companies). Thus, the constant search for profit maximization will be softened, because the investment perspective of a family business will generally be longer and will be maintained for generations (Ward, 1988).

If we look at the rest of the world, including the United States and other developed countries, most businesses are family controlled and managed and management is by no means limited to small businesses (Feltham, Feltham, & Barnett, 2005), but to large corporations such as Levi Strauss, DuPont, Rothschild, Benetton of Italy and the Ford Motor Company that still has 40% of the property in the hands of the Ford family, among other examples.

3.3. Some Rules to Follow When Managing Family Businesses

The administration of a family business should not be different from that of companies that are managed by “non-family” professionals when it comes to operational aspects. This is not the case in management aspects, given that the concept of a family business considers the essence of the business, its direction and the family objectives, on which the organizational culture or philosophy is based (Llach & Nordqvist, 2010). When it comes to managing them, it is necessary to take into consideration certain basic rules that must be strictly observed,

otherwise the family business will not prosper or at least survive for long. These rules, in simple terms, are as follows:

- Only those family members who are equal to or more competent than any non-family employee should work in the company and, furthermore, whose work is the same in terms of hours and productivity as those non-family members.
- The second rule relates to some of the senior management positions that require academic and technical qualifications. These positions should be filled by “non-family executives,” regardless of how many competent and effective family members are working in the company. In other words, in the family business you need a person who enjoys a lot of respect and who occupies a high position, who is not part of the family and who “never mixes the company, his work and the family that hired him” (Sundaramurthy, 2008).
- It is increasingly necessary to fill key positions with professionals from outside the family. This does not mean vetoing a competent family member to run the company, but rather it must demonstrate and accredit the necessary knowledge and experience, whether in manufacturing or marketing, finance, research or human resources.

Complying with the rules described above does not ensure the success of the administration of family businesses, nor does it ensure that they are left out of problems, much less prevent the companies from being sold to third parties outside the family. It is necessary to keep in mind, today, the problem that will inevitably appear sooner or later, the “succession in general management.” It is important to constantly ask ourselves: What happens if the CEO becomes seriously ill or dies? Who is best suited to run the company? If this happens, there is no other solution than to entrust the succession decision to a stranger who is not part of the family and, ideally, who also has no interest in the company (Feltham et al., 2005).

3.4. Advantages, Disadvantages and Conflicts in Family Businesses

Often the questions raised regarding family businesses are very varied: Are they efficient companies? Are there regular conflicts of interest between your family members? Is there little management capacity in the family? Are management positions reserved for family members? Is there identity and loyalty with the company or just with the family? (Zhang, 2016)

Advantages

Generally, the strengths of family businesses are related to the interest of the family, in accordance with the objectives of the organization, which are equal in a long-term context, creating harmony between the values of each member, separately, with the interests of the organization (Klein & Bell, 2007). Some strengths are:

- The availability of financial and management resources. Many times, they are obtained with the sacrifice of the family.

- Family reputation: These are the typical elements that mean that the “family reputation” can directly impact relationships with the community, but will also affect the company’s operations. This is clearly seen when you want to access the financial system.
- Employee loyalty: Especially when they are part of your competitive advantage.
- Unity of executives and shareholders (or owners of capital): It arises when a family identifies its own interests with those of the company, it is a very significant link and can be used as the main argument when designing and demanding the development of activities from the members. “family” employees. This is important, because family members are reluctant to sell their stake in the company to “strangers to the family,” meaning that family executives may be less sensitive to short-term behavioral criticism. They thus have greater freedom to focus their decisions on the company with a long-term perspective.
- Pride and identification of the family with the company: This brings with it greater social responsibility, which can contribute to the permanence of the company in the long term.
- Continuity and depth in the organizational culture and the sense of its corporate purposes: The organization has certain common traditions that are necessarily mixed with special objectives and capabilities, which may even be present since the founding of the company. This link is an element that is completely intangible and difficult to measure, but it can allow the company to absorb changes without affecting its important “values” or the unity of the group.

Disadvantages

Generally, some questions are asked regarding the effectiveness of family management as a way to approach the identification of the weaknesses that this type of companies generally present. The following questions arise: Is family management a contradiction to the fundamental idea of free competition, equality of opportunity and the free selection of the best candidate for a job? Is the tradition of family management an illusory concept, a product of the self-interested reasoning of the families involved? Does family influence perhaps contradict all the precepts of professional administration? Would it be risky, perhaps, to try to perpetuate family influence in a company, given the complexities and dynamism of the current business environment? From these questions, the following weaknesses can be identified, which are repeated in both companies (Sundaramurthy, 2008):

- Conflicts of interest: In a family business, the family almost always has the power of the owner and/or management to pursue and achieve their own goals and aspirations, even when they differ from the goals of the company.
- Poor profit management: A second weakness of family businesses (but which also occurs in small or medium-sized Stock Companies or Limited Liability

Companies) is the lack of methods for managing profits. This deficiency can lead to poor financial and cost control systems and other weak accounting procedures or a lack of management interest in taking necessary corrective action when accounting procedures indicate that their projects are out of line.

- **Lazy or uncreative marketing efforts and strategies:** Too much identification with family interests can prevent a company from benefiting from new market developments or better growth opportunities. But also, when a family identifies too closely with a special product or product strategy, another problem can arise: the Company can be very vulnerable to the effects of changes in the market.
- **Excessive nepotism:** It is more common than in other companies for relatives to advance due to family ties rather than merit and professional ability. This nepotism inevitably leads to the existence of “bloody fiefdoms,” which emerge as one of the most serious problems of family businesses and become more acute when, through the legal mechanism of inheritance, strong minority competing interests can be created and disagreements that involve emotions to an exceptionally high degree.

4. Most Frequent Conflicts

Family Businesses, like the rest of the organizations, are made up of the typical factors of a business organization: Work, Technology, Work Resources, Financing and Administration. By combining these factors, a series of conflicts will occur in companies, but in family-type companies they can be summarized in the following: Conflicts of Management Structure, Conflicts of Initiative and Organizational Structure and Succession (*Donckels & Fröhlich, 1991*).

- **Management structure conflicts:** It is common for family businesses to try to encourage the employment and recruitment of family members for management positions. This causes certain situations to occur that have an effect on the management structure, especially when non-family executives are hired, who do not have decision-making capacity, because the decisions are made by the family. Furthermore, the management of the company is guaranteed to the founder or whoever he designates, which does not guarantee that he has the necessary capabilities to run the company. Another phenomenon is related to the marked preference for family members in those information and control positions, which in the end is negative because it is especially in these positions where technical capacity must prevail. Finally, family members make frequent hierarchical jumps and the defined formal structure and authority are not respected.
- **Initiative conflicts:** These conflicts are often related to poor or lesser development of commercial, financial and human resources functions; even investment in related and complementary areas (diversification), so as not to deviate from the main product. This causes little diversification and highly

concentrated specialization, often rejecting administrative, commercial and financial improvements, which would allow better management of costs, prices, distribution, expansion to new markets and other technical activities related to the most efficient production. It is common to see that the family structure is transferred excessively to the internal structure of the business. Family gatherings (on Sundays, at home) are often confused with formal board meetings.

- Conflicts of organizational structure and succession: Generally, these conflicts can be avoided, but what is behind the “weight” of the family in the company and its subsistence needs: the company becomes an obligatory source of income. In this sense (Llach & Nordqvist, 2010), it is common for there to be excessive interdepartmental interference by family members and persistence in the allocation of functions, “for years”, to different branches of the family: These are the fiefdoms of power. It also reflects an oversized structure, with the sole purpose of accommodating all the family members who need it, regardless of their qualifications and management capacity. Furthermore, in general, the remuneration of family managers is not equitable with the capacity of each family member; in many cases it is a way of distributing the product generated by the company in advance. It is common to tend to evaluate the management of employees and managers differently, depending on whether they are “family members” or “non-family members.” Finally, succession planning in the management of the company is not treated as a real problem, especially when the company is used to a leader. When this leader falls ill or dies, the company becomes easy prey for internal powers and becomes vulnerable, losing only the family.

5. Discussion

The conflict between family and business interests is a significant challenge for economic sustainability and is presented as a crucial issue in the social responsibility of family businesses. This type of conflict can have multiple dimensions and repercussions that affect not only the economic viability of the company, but also its reputation, internal cohesion and ability to generate a positive social impact. On the other hand, family relationships, often complex, can negatively influence business decision-making. Personal conflicts can be transferred to the business environment, affecting the objectivity and effectiveness of management. This topic is discussed in detail below.

Nature of the Conflict

- Succession and leadership: Decisions about who should take on leadership roles can create tensions, especially when there are expectations or favoritism within the family.
- Conflicting interests: In family businesses, it is common for the interests of family members to differ from business interests. Conflicts can arise in areas

such as:

- Profit distribution: The preference for reinvesting profits in the business versus distributing dividends to family members.
- Succession and leadership: Decisions about who should take on leadership roles can create tensions, especially when there are expectations or favoritism within the family.
- Management and control: Family members may have different visions about the strategic direction of the company, risk management or the adoption of new technologies.

Impact on Economic Sustainability

- Decision Making: Conflicts can lead to inefficient or erratic decision making. Lack of consensus can delay critical decisions or lead to compromises that do not optimize business results.
- Financial Performance: Disagreements over reinvestment of profits or management of resources can negatively affect financial performance. Necessary investments can be postponed or poorly managed, which can put competitiveness and long-term growth at risk.
- Succession and Continuity: Lack of adequate succession planning can lead to a disorganized transition, endangering the stability of the company. This can be especially critical in times of crisis or significant market changes.

Corporate Social Responsibility (CSR)

- Transparent Governance: Implementing a clear and transparent governance structure is crucial. This includes the definition of roles and responsibilities, as well as mechanisms for conflict resolution. Creating a board of directors with external members can provide an objective and professional perspective.
- Succession Planning: Developing a robust and well-communicated succession plan is essential for continuity. Involving all family members in this process can help mitigate tensions and ensure an orderly transition.
- Commitment to the Community: Family businesses have a unique opportunity to demonstrate their commitment to social responsibility by getting involved in community and sustainable initiatives. This can strengthen family cohesion and align interests toward a common goal beyond immediate profit.
- Balance between Family and Business: Fostering a healthy balance between family and business interests is vital. This may include creating policies that protect both the financial interests of the company and the emotional and personal needs of family members.

Economic Sustainability in Family Businesses

- Long-Term View: Unlike many corporations that focus on quarterly results, family businesses often take a long-term view due to their desire to pass the business on to future generations. This allows them to invest in sustainable strategies that may not have immediate returns, but have long-term benefits.
- Financial Stability: Family businesses tend to be more conservative in their financial approach, prioritizing stability and continuity over excessive risk-taking.

This approach can contribute to economic resilience, allowing the company to overcome economic crises better than those more risk-oriented companies.

- **Investment in Innovation:** Economic sustainability is also achieved through investment in innovation and technology. Family businesses that invest in continuous improvements and the adoption of new technologies can remain competitive and sustainable over time.

Social Responsibility in Family Businesses

- **Community Commitment:** Many family businesses are deeply rooted in their local communities and feel a strong obligation to contribute to their well-being. This can include activities such as job creation, supporting local initiatives and collaborating with non-governmental organizations.
- **Ethical Practices:** Reputation and family values often play an important role in the operation of these companies. Social responsibility is reflected in the adoption of ethical practices in all areas of the business, from fair treatment of employees to environmental sustainability.
- **Environmental Sustainability:** Family businesses, especially those with a long-term vision, are ideally positioned to lead in environmental sustainability practices. This may include implementing ecologically responsible production processes, reducing waste and using renewable resources.

Integration of Economic Sustainability and Social Responsibility

Integrating economic sustainability and social responsibility can be a powerful formula for success for family businesses. Some key steps to achieve this integration include:

- **Development of a Sustainable Strategy:** Create a strategy that aligns economic objectives with social and environmental commitments. This may include specific goals for reducing carbon emissions, employee wellness programs, and sustainable growth strategies.
- **Involve the Next Generation:** Involving younger family members in the management of the business can bring new perspectives and innovative ideas. The next generation may be more aware of the importance of social responsibility and sustainability, driving the company towards more sustainable practices.
- **Measurement and Reporting:** Implement systems to measure and report the social and environmental impact of the company. This not only helps maintain internal accountability, but also improves transparency and can strengthen customer and community trust.
- **Collaboration and Alliances:** Form alliances with other companies, non-governmental organizations and government entities to promote sustainable practices and share knowledge.

6. Conclusion

Family businesses play a crucial role in the global economy, and their focus on economic sustainability and social responsibility can have a significant impact

both locally and globally. Family businesses have a unique opportunity to lead in implementing sustainable and socially responsible practices due to their long-term focus, deep-rooted values, and connection to local communities. By integrating economic sustainability and social responsibility, they can not only ensure longevity and financial success, but also contribute positively to the social and environmental environment in which they operate. The conflict between family and business interests in family businesses represents a significant challenge to economic sustainability. However, through proper management and the establishment of transparent governance practices, it is possible to mitigate these conflicts and promote an environment where both the business and the family can thrive. Corporate social responsibility should be seen as a strategic tool to strengthen internal cohesion and ensure a lasting positive impact on the community and the market.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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