

REQUEST FOR PROPOSALS

The Community Impact of Family Business

The Institute for Family Business Research Foundation (IFBRF) is requesting research proposals to investigate the community impact of family business in the UK.

Research summary

The proposed research will seek to understand the impact that family firms have on society and how they engage with the communities they belong to.

The IFBRF is commissioning this research to address the following research questions:

- How do family firms engage with the communities they belong to?
- What impact do family businesses have on the communities they belong to?
- How do family firms contribute to the vitality, well-being, prosperity, and sustainability of the communities they belong to?

There will be two main outputs from the research:

1. A brief interim report summarising progress three months after starting the project.
2. A research report summarising the data collected, the methods used, and key findings. The report should incorporate best practice guidance for family firms on how to enhance, evaluate, and report on the impact of their activities on communities.

Proposals should be submitted by email to Dr Martin Kemp, Head of Research at IFBRF, at martin.kemp@ifb.org.uk by **Tuesday 19th March, 2019**.

Background

From a corporate governance perspective, it is important for family firms to consider how they engage with and impact on the communities they belong to. In 2016, the UK Government launched a consultation on corporate governance reform and this was followed by proposals for reform in the areas of pay, employee and stakeholder engagement, and the governance of large private firms.¹ Large UK companies are required to explain how they have considered the needs of their employees and other interests.² A consultation on the corporate governance of large private firms culminated in the

¹ Mor, F. (2019) *Corporate Governance Reform*. House of Commons Library Briefing Paper. No. 8143, January 4, 2019. Available at: researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8143#fullreport

² BEIS (2018) *Corporate Governance: The Companies (Miscellaneous Reporting) Regulations 2018* Q&A. November 2018.

publication of the *Wates Principles*³ in December 2018. Large private firms are encouraged to adopt the *Principles* to inform their corporate governance practices on an “apply and explain” basis.⁴ Principle Six relates to engagement with stakeholders: “Directors should foster effective stakeholder relationships aligned to the company’s purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions”.⁵

Business plays a vital role in communities across the UK. For example, recent research by Peak B on the community impact of small businesses in the UK has shown how they are increasingly focusing on ‘purpose over profit’ and that this can be a commercial advantage for small firms.⁶ The study showed how small businesses contribute to local communities in a wide variety of ways, for example: by promoting health and wellbeing; providing training opportunities to local people; supporting community activities and organisations; providing local employment opportunities for those out of work; and retaining staff in a crisis.

The contribution that family firms make to the UK economy is well documented; for example, a substantial proportion of the UK workforce is employed in family firms and they make a significant contribution to the UK’s GDP.⁷ However, the social and community impact of family firms in the UK is less well documented.

Where family firms develop strong ties with communities, sometimes over many generations, they may be more likely to support the social and economic sustainability and vitality of such communities.⁸ According to Litz and Stewart, firms reporting higher levels of family involvement also report higher levels of engagement in community activities.⁹ Moreover, the tendency of family firms to adopt a long-term orientation¹⁰ may mean they are more likely to consider how their activities benefit the communities they belong to.

Family firms often make a valuable contribution to the local communities they are located in, drawing on those communities for their workforce and suppliers.¹¹ Researchers have employed the concept of “embeddedness” to express the importance of these local relationships and interactions to family firms.¹² According to Baù *et al*, “local

³ FRC (2018) *The Wates Corporate Governance Principles for Large Private Companies*. Available at: www.frc.org.uk/getattachment/31dfb844-6d4b-4093-9bfe-19cee2c29cda/Wates-Corporate-Governance-Principles-for-LPC-Dec-2018.pdf

⁴ Mor (2019)

⁵ FRC (2018), p.21

⁶ Peak B (2018) *Small Business Community Impact*. Available at: peakb.uk/downloads/peak-b-small-business-community-impact-report-sep-2018.pdf

⁷ IFB Research Foundation and Oxford Economics (2018) *State of the Nation: The UK Family Business Sector 2017–18*. IFB Research Foundation. Available at: www.ifb.org.uk/media/3685/ifb_rf_report_2017_lr.pdf

⁸ Hadjielias, Discua Cruz and Howorth (2018) *A Theoretical perspective at the Nexus of Family Firm, Cooperative and Community*. Paper presented at EURAM 2018, Reykjavik, Iceland.

⁹ Litz, R. A., & Stewart, A. C. (2000) “Charity Begins at Home: Family Firms and Patterns of Community Involvement”. *Nonprofit and Voluntary Sector Quarterly*, 29(1), 131–148.

¹⁰ Lumpkin, G.T. and Brigham, K.H. (2011) “Long-term orientation and intertemporal choice in family firms”.

Entrepreneurship Theory and Practice, Vol. 35(6), 1149–1169; and Clinton, E. *et al* (2018) *Long-term Thinking in UK Family Business*. An IFB Research Foundation Working Paper.

¹¹ Hadjielias, Discua Cruz and Howorth (2018)

¹² Baù, M., Chirico, F., Pittino, D., Backman, M., & Klaesson, J. (2019) “Roots to Grow: Family Firms and Local Embeddedness in Rural and Urban Contexts”. *Entrepreneurship Theory and Practice*, 43(2), 360–385.

embeddedness" refers to "the involvement of economic actors in a geographically bound social structure".¹³ This draws attention to the interdependent relationships that often exist between family firms and local communities. Using Swedish data, Baù *et al* have investigated how the local embeddedness of family firms affects their growth, by comparison with nonfamily firms. They found that family firms in Sweden grow more than nonfamily firms and that they benefit more from local embeddedness than nonfamily firms, especially in rural areas. Family firms, they argue, make better use of local knowledge and resources to help them grow. The pursuit of goals relevant to their communities enables them to access resources that support their competitive advantage. And as they become more embedded, family firms "may be further motivated to grow because of their commitment to local stakeholders and communities".¹⁴

Research objectives

The IFBRF would like to commission new research to understand the different ways that family firms impact upon and engage with the communities they belong to. The proposed research has the following objectives:

- To review the literature on the social and community impact of family firms.
- To understand how family businesses engage with and benefit the communities they belong to: for example, how do family firms contribute to the vitality, well-being, prosperity, and sustainability of communities?
- To develop evidence-based guidance for family firms on ways of engaging communities, and enhancing, evaluating, and reporting the community impact of their activities.

Proposals submitted should provide a detailed research strategy to address the research questions and objectives set out above. For example, qualitative methods could be used to understand the contribution that family firms make to communities, including narrative-based approaches. Because of the challenges associated with conducting surveys in this field of research, we are open to new or innovative methodological approaches to address the research objectives.

¹³ Baù *et al* (2019), p.360

¹⁴ Baù *et al* (2019), p.375

Research proposal application details

If this research is something that you might be interested in, then please submit a fully costed research proposal by **Tuesday 19th March**. The proposal should be no more than 1500 words in length (excluding CVs and references) and address the following headings:

1. Research questions/objectives

As specified above.

2. Methods and data sources

Please describe how you would address the research questions, including details of any methods you would use to collect and analyse the data, and the data sources that you would use. Please also give the reasons for why these methods, techniques and data sources are most suitable for addressing the research questions, taking into account time and resource constraints.

3. Ethical issues/data protection

In this section, please specify any ethical issues relevant to the conduct of the research, including any issues relating to data protection and confidentiality. Please indicate how you will address these issues in the proposed research.

4. Timetable

Please provide a project timetable, including start/end dates and showing milestones for each stage of the project.

5. Risk assessment

Applicants should identify possible risks or potential difficulties that might affect progress in the research and the steps taken to mitigate and manage such risks.

6. Project team

Applicants should supply information on members of the project team, their responsibilities and the time they will each allocate to working on the project. CVs of members of the project team should be attached to your proposal, including qualifications and previous experience relevant to the research. Applicants should explain who will take the lead for the research.

7. Budget

A detailed budget should be included showing costs for staff time, expenses such as travel, equipment, payment of incentives etc. (The IFBRF is a charity and therefore does not cover indirect costs).

8. References

Any publications and sources cited in the proposal should be listed in this section.

Definition of “family business”

The IFB Research Foundation adopts the EU definition of “family business”.

A firm, of any size, is defined as a family business, if

- the majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children’s direct heirs;
- the majority of decision-making rights are indirect or direct;
- at least one representative of the family or kin is formally involved in the governance of the firm; and
- listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

About the IFB Research Foundation

The IFB Research Foundation is a charity (no. 1134085) established to foster greater knowledge and understanding of family firms and their contribution to the economy and society, as well as the key challenges and opportunities that they face.

The IFB Research Foundation’s vision is to be the UK’s centre of excellence for family business research, and to this end its publications are designed to create a better understanding of family business for the benefit of all stakeholders. Alongside Family Business Research and White Papers, providing thought leadership on key family business characteristics and issues, its work covers a broad range of publications, including:

- Family Business Sector Report – benchmarking the size and importance of the sector.
- Family Business Challenges – offering practical guidance for family business owners on a broad range of topics, including family business dynamics, governance, performance, succession and wealth management.
- Family Business Case Studies – showcasing family business exemplars.
- The Foundation disseminates knowledge and best practice guidance through printed publications and online media accessible via the IFB website and other activities.

The Institute for Family Business

The Research Foundation works closely with its sister organisation, the Institute for Family Business (IFB), which is a membership association representing the UK’s family business sector. The IFB is a member of FBN International, the global network for family businesses.

