

Family Business and Community Engagement

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Key findings

- The way in which family businesses define their communities influences how they engage with them and how impact is measured.
- Family businesses from three English regions contribute to their communities in diverse ways: making financial and in-kind donations; volunteering; sharing business and other skills; providing expert advice; making environmental improvements; supporting business umbrella organisations.
- With their orientation towards the long-term, family businesses are exceptionally well positioned to develop long-term partnerships with communities and community organisations.
- A key way family firms can have a long-term impact is through establishing family foundations and encouraging the next generation's involvement in community-engagement activities.
- Effective community engagement requires leadership, time and resources, a genuine commitment to making a difference, and a willingness for a sustained and long-term effort.
- Active engagement with communities can bring benefits to family businesses; for example, through enhanced business reputation and providing valuable opportunities for the personal and professional development of employees and family members.

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Introduction

Much is known about the contribution of family businesses to the UK economy - producing 31 per cent of the UK's GDP and accounting for 52 per cent of employees in the UK private sector in 2018, for example (IFB Research Foundation and Oxford Economics, 2020). Far less is known about the social and community impact of family firms.

Family businesses play an important role in their communities and, according to Besser and Miller, "represent a significant component of the business-community interchange" (2004: 399). Observers, including family businesses themselves, point out that many family businesses have existed for hundreds of years, passing from generation to generation, with their focus on the long-term resulting in their being the bedrock of communities across the UK (for example, see Jaffe, Lescent-Giles, and Traeger-Muney, 2019).

Family firms are more likely than non-family firms to incorporate ESG (environmental, social, and governance) aspects of their business activities (Credit Suisse, 2020). According to PwC's family business survey which questioned 130 UK family businesses, nearly three in five (58 per cent) said that their long-term goal is to contribute to their local community and leave a positive legacy (PwC, 2018). However, past research in this area has tended to focus on corporate social responsibility (CSR) at the strategy level, rather than on the diverse ways that family firms orientate themselves to and engage with their diverse communities (Fitzgerald *et al.*, cited in Glover and Trehan, 2020). And, as our research shows, whilst many family firms are committed to having a positive impact on their communities, not all have strategies or plans in place to underpin their community engagement and CSR activities.

About the research

This research briefing summarizes some of the key findings from the IFB Research Foundation's report, Family Business and Community Engagement. The report by Professor Kiran Trehan and Dr Jane Glover of the Universities of York and Birmingham provides key insights into the ways that family businesses in the UK work in partnership with their communities to improve social outcomes. [The full report can be downloaded here.](#)

The research reviewed the limited academic literature on this issue and supplemented this with seven, in-depth case studies³. The case study firms were selected to reflect the diversity of family businesses across England in terms of location, size, business structure and sector. One case study involved two small family businesses that stated they did not engage in any community-based activities. For a summary review of existing evidence on the social contribution of family firms, see a recent Enterprise Research Centre state of the art review (SOTA) by Glover and Trehan (2020) which was undertaken as part of this project.⁴

How do family firms engage with their communities?

How family firms engage with their communities and measure the effectiveness of that engagement depends on how they define their communities in the first place. The academic literature tends to define communities by either location (communities of place) or affiliation (communities of interest). Overall, the views of the family businesses included in this study concurred with such definitions. They identified a diverse range of groups they engaged with: residential communities in the neighbourhoods surrounding their bases; charities working around specific issues; children and young people; and business communities defined by geography or sector.

³ More than seven firms were covered as some were conglomerates with subsidiaries and some interviewed two small family businesses.

⁴ Available to download here: enterpriseresearch.ac.uk/wp-content/uploads/2020/09/No45-What-is-the-social-economic-contribution-of-family-firms-in-the-UK-GloverTrehan.pdf

How family businesses in our study engage with communities also varies greatly; for example:

- **Philanthropy**

Financial and in-kind donations to and fundraising for charities and local community facilities such as schools and youth organisations. Usually, such donations have a local dimension, but some large firms donate to national charities whose local branches work with the business's branches or charities. Others have or were in the process of developing principles which would allow their subsidiaries to donate to local charities.

- **Foundations**

Establishing family foundations to disperse grants or donating to a charity which then manages onward donations.

- **Volunteering**

Either through project-specific activities, such as advising on securing jobs, or through sitting on boards of charities and community organisations.

- **Supporting learning**

Supporting the personal and skills development of young people and improving labour-market access for excluded groups.

- **Employee engagement**

Enhancing employees' contributions to communities through matching their individual donations, or organising community charity days involving all employees or paid time off for charity work.

- **Supporting business organisations**

Supporting business umbrella organisations or partnerships, including the public and/or community sectors such as Local Economic Partnerships. One case study firm leads a regeneration project in an area that has undergone economic decline.

- **Environmental action**

Major environmental aspects of community engagement were only mentioned by firms where the environment played a key part in the business operations of the business itself, such as construction or farming. Some other firms are involved in activities to improve the local environment, such as litter picks.

Some of the businesses that participated in our study seek to build long-term relationships with community-based organisations. There is case study evidence that family firms' long-term commitment to a specific geographical place helps to build trust with communities and other stakeholders. The long-term view is underpinned by some businesses through the involvement of the family's next generation in their community engagement work.

Whilst many larger family firms in the UK support activities that have a positive impact in their communities, their CSR policies do not always cover community engagement. Only a few of the firms in our study have a community engagement plan in place, sometimes as part of a wider CSR policy.

A few of the family businesses included in our study said that their sustaining of a business and the provision of local employment (and retaining these employees) in themselves contribute to community wellbeing. Yet sustaining a business that cares for its customers, employees and suppliers can have a significant social and economic impact on the communities living near the business.

What are the benefits of community engagement for family firms?

Benefits of these family business activities accrue to the communities targeted, but also to family business, the family itself and individuals involved in community engagement activities. Community benefits are wide-ranging including improved wellbeing of residents, better facilities and equipment, cleaner environments, improved personal development and job opportunities, and access to business skills.

The family businesses included in this study said they had benefited from: an enhanced reputation and credibility; a greater likelihood of attracting talented and committed staff; personal and skills development of employees; and loyal and trusting customers. One case study business included the delivery of a community project in their management training programme because of the perceived contribution to their managers' personal and skills development.

For individual employees and family members, benefits included acquisition of new skills, increased confidence and self-esteem and a feeling of satisfaction.

What impact does community engagement have?

Although in general terms impact can be positive or negative, for the purposes of this report, impact is defined simply as making a positive difference, a difference that is sustained beyond the immediate benefit of the community engagement activities. The impact of these activities describes the contribution that family businesses make to society and the economy. Having some idea of their impact is important for family businesses in order to monitor and evaluate the effectiveness of the resources deployed and for the all-important communication of what they have helped achieve.

However, the impact of community engagement activities is hard to measure for many reasons. For example, it often involves intangible factors, can be long-term and uncertain, can often include unintended positive or negative impacts and requires the collation of quantitative and qualitative data. Only one of the case-study businesses said it evaluates the impact of its community activities, whilst others acknowledged they needed to do more on this front.

Nonetheless, an overall picture emerged from the interviews with family firms and community organisations of a very positive impact which sometimes went beyond the targeted beneficiaries. An example of this is the provision of youth activities for those at risk of anti-social behaviour leading to a reduction in crime and business insurance premiums. Impact was particularly strong where there was a sustained, long-term relationship of support and in areas of economic decline.

What are the drivers and challenges to community engagement?

Some of the family firms interviewed said that their community engagement activities are driven by the values of the family and the business, and by the desire to have a positive reputation. For example, many stressed the importance of developing long-term relationships with their communities, reflecting the value they place on the longevity of the firm and their attachment to the place their firm is based or was first established.

For some, such as those involved in retail or in rural locations, community engagement is seen as a good business practice.

The main challenges are finding time and freeing the necessary resources. For example, these were the main reasons cited by two out of seven of our case studies for why they do not engage in community activities, although they said they contribute to their community in other ways, such as by providing employment opportunities and demand from local suppliers.

Practical recommendations for family businesses

The case studies demonstrate that family businesses are important to their local communities through providing a stable and secure business environment, employing local people and providing support to local organisations. Key lessons and implications for family businesses include:

- Community engagement requires leadership, a genuine commitment to make a difference and a willingness for a sustained and long-term effort which is more likely to have a strong impact.
- If a business wants to enhance their community engagement, they need to make sure they have a clear rationale for wanting to do this and evaluate whether they have adequate resources for the task.
- Businesses should talk to stakeholders about the issues they want to help tackle and learn from the experiences of other family businesses.
- Family business heritage and longevity help to build trust and gain acceptance for change.

- The biggest impact is unlikely to come from financial contributions alone. Offering time and personnel support may be of greater value.
- Businesses should raise awareness of what they are doing with the communities they are working with, with customers, employees and prospective employees, other businesses, policy-makers in the public sector, other potential donors and partners, and the next generation of family members who will be joining the business.
- Personal development of employees who take part in community engagement activities can be a very important benefit for the family business.

A six-step approach is recommended for family businesses that want to engage with communities or enhance the work they do already. These steps⁵ are:



⁵ A more detailed explanation of these six steps can be found in [the full report](#).

Recommendations for policy and the third sector

Policy-makers should explore how they can work with local family businesses who in many cases form the bedrock of local communities through providing jobs and supporting business infrastructure. They should seek partnerships and learn from and disseminate their experience.

Charities, NGOs and other community organisations should note that family businesses can be very important sources of long-term support, but any partnership arrangements should be built on transparency and trust, achieved through discussing and agreeing of the issues that need to be tackled and how to tackle them.

Suggested areas of new research

Future research could include a large-scale survey to gain quantitative data and a wider understanding of how family businesses contribute to community resilience and development and which forms are most effective; further qualitative research through interviews with family business across a wider geographical area; and a deeper exploration of the factors which can affect levels of community engagement such as business age, location, sector and size.

If you have any questions or comments relating to this research, please email:

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Additional resources

The full report, *Family Business and Community Engagement*, can be downloaded here: ifb.org.uk/media/4375/family-business-and-community-engagement_nov2020.pdf

The long-term orientation of family businesses is discussed in an IFB Research Foundation working paper by Clinton *et al.* (2018), available at: ifb.org.uk/media/3718/ifbrf-working-paper-long-term-thinking-in-family-business.pdf

Guidance on philanthropy by Lansberg, Gersick & Associates can be found at: ifb.org.uk/advice-for-owners/strategic-philanthropy-in-family-business/

For a detailed account of philanthropic activity of family firms see the IFB and Community Foundation Network report, *Natural Philanthropists*. Available at ifb.org.uk/media/1356/natphilanthropists_final.pdf

For a comprehensive review of governance in family businesses, see the IFB Research Foundation reports, *Governance in Family Businesses*, available at ifb.org.uk/media/4133/governance-in-family-businesses-evidence-and-implications_web.pdf and also *Corporate Governance in large UK Family Firms*, available at ifb.org.uk/media/3982/corporate-governance-in-large-uk-family-firms-web.pdf

A working paper by Jaffe, Lescent-Giles, and Traeger-Muney (2019), *Social Impact in Hundred-Year Family Businesses*, looks at the philanthropy activity, corporate social responsibility, and community investments of wealthy multi-generational families. For an overview – see here: ifb.org.uk/news/news/social-impact-in-hundred-year-family-businesses

A FFI Practitioner blog piece by Peter Englisch of the EY Global Family Business Center of Excellence, *How Are Family Businesses Having a Positive Impact on Society?*, discusses the impact that family firms have on society: ffipractitioner.org/how-are-family-businesses-having-a-positive-impact-on-society/

Practical guidance on how businesses can engage with community stakeholders has been produced by the Network for Business Sustainability: nbs.net/articles/engage-your-community-stakeholders-an-introductory-guide-for-businesses

Useful guidance on measuring and accounting for social impact and the impact of community programmes from Corporate Citizenship: corporate-citizenship.com/webinar/measuring-impact-of-community-programmes-lbg-and-kindlink

On measuring the impact of employee volunteering: corporate-citizenship.com/2014/08/21/top-tips-measuring-impact-employee-volunteering-projects

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