Chapter 25
Sustainable Development in Family Firms

Angela Dettori
University of Cagliari, Italy

Michela Floris
University of Cagliari, Italy

Cinzia Dessì
University of Cagliari, Italy

EXECUTIVE SUMMARY

This chapter outlines the relevance of sustainable development as a key for family firm success and its ability to guarantee long-term survival and spread positive effects in social, economic, and natural environments. By particularly analyzing a single case study of a Sardinian family business, this work explores the intertwined relationships among sustainability, owner innovativeness, and firm success. Moreover, the importance of family businesses and the scarcity of the study conducted to date have suggested a focus on how these companies tackle sustainability challenges.

INTRODUCTION

Sustainability-related pressures for and benefits of engagement with environmental issues increased over time and this resulted in the intensified integration of non-financial goals related to environmental issues into the decision-making behaviour of firms. In this sense, firms need to ensure a better quality of life in the present without compromising that of future generations (Bansal, 2005). This requirement presents a significant challenge (Rimanoczy & Pearson, 2010) that, in order to be won, firms must increase their efforts to meet their goal of improving economic, social and environmental performance (Sava, Rizea, & Flood, 2010) within new and innovative governance models. Many firms are actively involved in the sustainability debate with the goal of identifying methods to enhance performance and develop sustainable development strategies (Starik & Rands, 1995). In other words, firms are called to change their culture

DOI: 10.4018/978-1-6684-3550-2.ch025

and structure to perceive and promote well-defined corporate sustainability as an invaluable tool that will focus on cost-cutting, risk management and new product realisation (Bansal, 2005). Therefore, the inclusion and integration of sustainability within a firm's structure and culture require a clear and shared vision, a high level of commitment and adequate leadership. Moreover, corporate sustainability entails a specific approach with an appropriate management framework that enables the design, management and communication of sustainable policies and strategies. Considerable effort has to be devoted to the planning, measurement and evaluation, steering and control as well as optimisation and communication processes of the holistically defined corporate value creation. Furthermore, a solution for enterprise sustainability management and its evaluation is necessary for ultimately balancing economic, ecological and social performance factors, to ensure optimized decision-making (Oertwig et al., 2017).

Several proposal have been made to promote sustainable development. At the European Union level, for example, the European Commission (EC) is actively involved in drawing up policies and practices to encourage corporate sustainability. These efforts range from 'polluter pays' legislation to 'producer responsibility' policies, from 'core labour standards' to 'social governance' and encompass all industrial sectors, from primary extraction to consumer products. In addition, by following its green paper, *Promoting a European Framework for Corporate Social Responsibility* (EC, 2001), the Commission has more recently issued a communication (EC, 2002) to further encourage the adoption of the Corporate Social Responsibility concept.

However, adopting a sustainable approach by embracing sustainability principles and considering them an integral part of business practice depends on the responsibility that firms have in making businesses more sustainable. To sustain firms in this renewed concept of business, the World Business Council for Sustainable Development (WBCSD) and the International Institute for Sustainable Development have recently identified a number of principles to address sustainable development concerns (WBCSD, 2000). Identified principles include, for example, cost savings from cleaner production methods; innovation and technology to improve material, energy and product efficiencies or to lower labour costs; and innovative solutions that provide good working conditions to improve motivation and productivity (Shrivastava, 1995).

Notwithstanding the mentioned efforts, achieving corporate sustainability is not an easy task and is accompanied by several challenges. First, a sustainability management system able to reflect both the specific characteristics of each business and the context in which it operates appears to be particularly relevant and difficult. Second, the proliferation of different approaches to corporate sustainability, which are difficult to compare, can create confusion for businesses, consumers, investors and the public and could lead to market distortion (EC, 2002). Third, the convergence and standardisation of corporate sustainability management approaches require an in-depth reflection to disentangle the complex and fragmented framework.

This chapter, which reinforces the relevance of developing and spreading sustainability in a firm context, focuses specifically on family firms as units of analysis. This choice draws on the awareness that this type of firm constitutes the major portion of the global economy (Heck & Stafford, 2001; Rowe, Haynes, & Stafford, 1999; Shanker & Astrachan, 1996), and its activities generate a significant impact on economic, social and natural environments. For this reason, sustainability concepts must be part of the organisational culture for guaranteeing successful long-term survival. In addition, family businesses are particularly interesting because their lifecycles tend to be passed from one generation to another. This transgenerational process, representing a physiological but contemporarily a destabilising step, can represent a suitable conjuncture able to stimulate new insights and new paths in the firm's physiognomy.