Understanding the Dynamism between Corporate Social Responsibility and Social Capital in Family Businesses

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ABSTRACT

While the relationship between social capital and Corporate Social Responsibility (CSR) has received some academic attention, this link, although important for family businesses, remains under researched. In this paper, we attempt to fill this gap in the literature by exploring the relationship between social capital and CSR in family businesses. We do so by drawing upon the existing literature to develop a conceptual model and a set of propositions that aids in understanding the dynamism between CSR, social capital and the growth of family businesses. The paper provides important implications for family businesses to be responsive and invest in building a strong social capital for their growth and continued survival.

INTRODUCTION

It is argued that besides human capital which includes experience, judgement, knowledge, skills, and expertise, a manager's social capital also plays a central role in business value creation (Young and Tsai, 2007). Although there has been some research done on the link between social capital and CSR (Fuller and Tian, 2006; Perrini, 2006), the relationship between social capital and CSR in family businesses remain largely ignored yet social capital is argued to be more important for family businesses as they have easy access to it from common ancestry and shared family identity compared to non family businesses (Sundaramurthy, 2008). Denis and Suarez in (2005) reported that over 60% of the firms were
classified as family businesses in a large number of nations\(^1\), and their numbers have been increasing across a broad range of industries. Due to the growing dominance of family businesses in the world economy, research in family business has engendered interest in a range of issues relating to their ownership, control, management, conflict, and succession, however, little attention has been paid to the link between CSR and social capital in family businesses. In this paper we attempt to fill in the void in the literature and explore the link between CSR and social capital in family businesses.

In the wake of globalisation, increased competition, and rising customer awareness, CSR has emerged as a powerful marketing tool and a source of competitive advantage for companies who are adopting socially responsible business practices to survive the competition. There are frequent claims that firms that practise CSR are generally associated with sustainability and profitability in the long run (Kumar et al., 2004; Jamali, 2008). Social capital has recently gained increasing attention due to the significance of its elements which include human relations, networks, interpersonal trust that have potential wide ranging benefits for the societal welfare and business development. The literature also recognises that social capital is closely linked with promoting CSR and making businesses socially responsible (Fuller and Tian; 2006, Perrini, 2006). As CSR is being increasingly regarded as essential for the success of the businesses, this paper explores the link between CSR and social capital in family businesses and presents a model that aids in understanding the dynamism between these values.

The paper is organised in four sections. We start by defining the key terms- family business, CSR and social capital- as there remains considerable ambiguity and controversy relating to

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\(^1\) The nations included Argentina, Brazil, Chile, Canada, U.S.A in America; Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Netherlands, Poland, Portugal, Spain, Sweden and U.K in Europe; India and Indonesia in Asia and Australia
their definition. In the second section, we provide a brief literature review discussing the link between CSR, social capital and family businesses. We then present a model linking CSR and social capital in family businesses followed by a set of propositions specifying the factors influencing the CSR orientation of family businesses and the interconnection between social capital, CSR orientation and growth of family businesses. This is followed by the conclusion, implications and limitations of the paper.

DEFINING THE KEY TERMS

This section defines the key terms -family business, CSR and social capital- as these terms have involved considerable controversy and ambiguity and there appears to be no consensus about these terms even after decades of research.

Family Business

The term family business has been defined and interpreted in various ways. Although it is widely accepted that a family's involvement in the family business makes it different and unique, the issues of family involvement in terms of ownership, management, and succession have been interpreted differently by researchers and as a result, defining family business has not been so easy (Chua et al, 1999). Despite the consensus that family businesses are family-owned and family managed, there remains considerable disagreement over the combination of ownership and management i.e. family-owned but not managed and family managed but not owned. According to Chrisman et al (2003a), a family business consists of four parts which are complementary. These are: a). intention to maintain family control of the dominant coalition; b). unique, inseparable and synergistic resources and capabilities arising from family involvement and interactions; c). a vision held by the family for transgenerational value creation; and d). pursuance of such a vision (Chrisman et al, 2003). Similarly, Chua et
al (1999) further argue that defining a family business by its components of family involvement- ownership and management- does neither capture the essence of the vision held by the family nor its intentions to pursue the vision across generations. They have defined family business as ‘a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families’ (Chua et al, 1999:25). For the purpose of this paper, we use the definition of family business as proposed by Chua et al (1999).

Family businesses result from the integration of ‘family’ and ‘business’, and possess unique characteristics that set them apart from other businesses. The main reason why the family business is so unique and different from non family business is due to the family influence in a firm’s vision, goals, interaction with others, and creation of unique responsibilities and capabilities (Chrisman et al, 2003b). While family is a social unit in non family businesses, it becomes both social and economic unit in a family business (Basu, 2004, Uhlaner, et al, 2004). As family businesses focus on family unit, their goals, interests and values are likely to deviate from the economic, social and environmental concerns of non family businesses. It is also argued that family business represents sustainable competitive advantages that lack in non family business due to the unique resources and capabilities of a family (Habbershon & Williams, 1999). Consistent with this, Niehm et al (2008) argue that family businesses have unique perspectives of socially responsible behaviour due to family involvement and ties to the community. As family businesses are generally characterised by socially intense interactions, social capital helps them not only in creating resources but also intangible skills and the strong social ties, which can act as a source of competitive advantage for them (Melin and Salvato, 2008).
Corporate Social Responsibility

Despite the interest and the attention that CSR has received, there has been no universally accepted definition of the term. A number of terms i.e. corporate citizenship, corporate social accountability, corporate sustainability, socially responsible behaviour, triple bottom line reporting have become synonymous with CSR (Family Development Committee, 2008, Jamali, 2008, Perrini, 2006). However for some, CSR is not only synonymous with business ethics but also encompasses dimensions including philanthropy, community, workplace, diversity, safety, human rights, and environment (Carter and Jenning, 2004). World Business Council for Sustainable Development (WBCSD 1998:6) defines CSR as, ‘the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large’.

CSR has been a subject of intense debate and controversy over the last few decades mainly because of its association with the social responsibility of businesses (Jamali, 2008). Consequently CSR has evolved significantly even though some argue that it is a vague and intangible term which can mean anything to any body and therefore is effectively without meaning (Jamali, 2008). In a slightly different vein Campbell (2007) argues that socially responsible corporate behaviour has become difficult to define as it means ‘different things in different places to different people and at different times’ (Campbell, 2007: 950). Socially responsible behaviour as proposed by Campbell (2007) has two parts. First, the businesses must not knowingly do anything that could harm their stakeholders—notably, their investors, employees, customers, suppliers, or the local community within which they operate. Second, if they do cause harm to their stakeholders, they must then rectify it whenever the harm is discovered and brought to their attention either voluntarily or in response to legal
requirements or some sort of encouragement. Given the lack of a universally accepted
definition, it is important to be explicit about defining the concept of CSR. In this paper we
use the definition of CSR which is widely accepted and refers to the integration of social and
environmental concerns in the business operations on a voluntary basis (Commission of the
EU, 2001).

The notion of CSR mainly involves ‘controversy as to whether business is a single
dimensional entity of profit maximization or a multi dimensional entity serving greater
societal interests’ (Quazi and O’Brien, 2000: 33). While Friedman (1970) argued that the main
motive of the business is to make profits and enhance shareholder wealth, there has been
considerable support for arguments that business has a responsibility towards society and
problems of social concern (Commission of the EU, 2001; WBCSD, 1998). The focus of CSR
has evolved from just having an economic focus and ensuring only shareholder interest in
1970s, to include a number of additional dimensions which emphasis on economic, legal,
ethical and philanthropic responsibilities (Carroll, 1999). CSR therefore not only means
fulfilling economic and legal obligations, it also refers to voluntarily adopting ethical
business practices that go beyond legal and regulatory compliance by integrating wider
considerations for the environment, human and social capital.

Socially responsibility of businesses has received increasing attention as they contribute to
sustainable development by taking into account the economic, social and environmental
impact of their activities. It is argued that socially irresponsible behaviour of businesses is
certain to backfire and poses a threat to their own existence (Kumar et al, 2004, WBCSD,
1998). Consumers are increasingly attaching importance to how a company is conducting its
business and whether it is adopting socially responsible business practices as per its claims
(Fliess et al, 2006). This has created pressures on companies to adopt voluntary CSR policies
and consequently the number of companies using different communication tools to inform the customers about their socially responsiveness has increased in the last decade. Companies are now using a variety of communication tools which include CSR policy, certification and labelling, reporting, consumer guides and marketing strategies to deal with the strategic imperative of gaining customer loyalty (Fliess et al, 2006).

**Social Capital**

Much like the terms, family business and CSR, social capital has no set and commonly agreed upon definition. Some authors define social capital as the value of social networks, bonding similar people and bridging between diverse people, with norms of reciprocity (Dekker and Uslaner, 2001). In a slightly different vein, Nahapiet and Ghoshal (1998: 243) define social capital as 'the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network'. Coleman (1990) on the other hand views social capital as something intangible that ‘inheres in the structure of relationships between actors’. Thus the definitions of social capital vary depending on whether their focus is primarily on: the relations an actor maintains with other actors, the structure of relations among actors within a collectivity, or both types of linkages (Adler and Kwon, 2002). In this paper, we use the definition of social capital as proposed by Nahapiet and Ghoshal (1998).

Eastis (1998) argues that social capital is multidimensional and must be conceptualized as such to have any explanatory value. It is argued that social capital has three key dimensions of networks, trust and reciprocity which together enable people to act for mutual benefit (Stone, 2001). These intangibles of social capital such as reputation, trust and reciprocity
have a closely knit synergistic relationship with CSR. Referring to the importance of intangibles like trust, reputation, image and expertise, Seitanidi (2007: 853) argues that, 'we have moved from the twentieth century of shareholder supremacy where tangible resources were prioritised to the twenty-first century of stakeholder transcendency where intangibles gradually push through obscurity'. Consistent with this, White (2006) also argues about the importance of understanding the intangibles in creating long-term wealth and strong CSR performance.

Adler and Kwon (1999) further argue that social capital is similar to other forms of capital in that it can be invested with the expectation of future returns. As social capital is mainly about the value of networks, internally a strong social capital will result in a strong, trusted and mutually beneficial relationship between employees and owners while a strong external social capital will lead to loyal customers and suppliers and a supportive society as a whole. In fact the intangible assets of reputation, trust, legitimacy and the value created by social networks act as powerful resources that can benefit the business through enhanced public image, loyalty and goodwill which in turn would not only increase the number of customers but also lead to their retention. The reciprocity dimension of social capital can be explained by the enlightened self interest model which mainly states, 'that businesses that do good will be more successful than those that do not' (Besser and Miller, 2001: 222). In other words if a business is involved in socially responsible actions, then its actions will be reciprocated over time by stakeholders which include loyal employees, customers, and suppliers (Niehm et al, 2008, Besser and Miller, 2001).

The next section provides a review of literature on family businesses, CSR and social capital.
FAMILY BUSINESS, CSR AND SOCIAL CAPITAL: AN OVERVIEW OF LITERATURE

Family businesses are unique and different from non family businesses. In family firms the family influences behaviour at the individual, group and organisational level (Dyer, 2003). Deniz and Suarez (2005) argue that family businesses are not a homogenous group, rather they are a heterogenous group in terms of extent and mode of family involvement, size of the firms and they also have diverse orientation towards CSR. Family firms have been associated with both positive and negative features in their relationship with their stakeholders and this can be explained by their diverse orientation towards CSR (Deniz and Suarez, 2005). This is also supported by the existing literature that offers opposing views on family businesses’ orientation towards CSR (Uhlner, 2004). Some studies suggest that family businesses are more oriented towards CSR (Dyer and Whetten, 2006) while other studies conclude that family businesses are unlikely to practice CSR (Morck and Yeung, 2004).

According to the first school of thought, family businesses are more oriented towards CSR practices. A number of studies suggest that family businesses are more likely to be oriented towards CSR than non family business (Dyer and Wheten, 2006; Uhlner, 2004). Analysing the 500 largest US companies and using data from Standard and Poor’s S & P 500, Dyer and Wheten (2006) investigated whether CSR is approached differently in family vs. non family business. The findings of their study suggest that family firms exhibit greater CSR than their non family business counterparts. Similarly Niehm et al (2008) explored the antecedents and consequences of community social responsibility of 221 firms operating in small and rural markets in USA using a national sample of small businesses from the 2000 wave of National Family Business Survey. Their findings also suggested that family businesses do have CSR orientation and this is driven by community support and commitment. Uhlener et al (2004)
came up with similar findings in their study of 42 small and medium sized Dutch family businesses in which they explored how these businesses interpret their CSR in relation to the different and diverse components of stakeholders-employees, suppliers and customers. The findings suggested that family businesses are more likely to have good relationship with their employees, customers and suppliers and they view this relationship to be advantageous for their businesses.

The main reason of the orientation of family businesses towards CSR can be explained to avoid socially irresponsible behaviour that can harm their family reputation and image. As a result, family businesses are concerned with both the tangibles -quality, involvement of the community- and the intangibles of CSR i.e. reputation, trust, image, and family values. This orientation towards both tangibles and intangibles of CSR helps in creating a strong social capital which in turn has a positive impact on the long term performance of the firms (Perrini, 2006). This explanation is consistent and supported by the enlightened self interest model (Niehm et al; 2008) which suggests that socially responsible action by a firm will be reciprocated by the stakeholders- employees, customers, investors and suppliers- in due course of time. Niehm et al (2008) further argue that family businesses receive reciprocal benefits from giving to the community and that benefits increases as the firms grows in size and scope.

The second school of thought on the other hand assumes family businesses to be socially irresponsible or with little orientation towards CSR. The possible explanation for this assumption stems from the view that family businesses are self interested and they are more concerned in protecting their self interest rather than the interest of the society or the country. In order to protect their self interest, they engage in socially irresponsible activities i.e. bribing government officials, and nepotism (Morck and Yeung, 2004). Another explanation of the
poor CSR of family business is provided by Banfield (1958) who argues that family businesses working in an environment which is characterised by poor infrastructure, poor socioeconomic conditions are less likely to be socially responsible and work for building a better society. Banfield’s (1958) explanation although old stands true for developing countries where businesses operate in a difficult context with poor socioeconomic conditions and infrastructure facilities and have little orientation towards CSR.

The link between social capital and CSR in Small and Medium Sized Enterprises (SMEs) is supported by a number of studies (Spence, 2003; Perrini 2006; Fuller and Tian, 2006). Fuller and Tian (2006: 296) for example contend that, ‘the underlying concepts of social capital and symbolic capital, i.e. power, obligation, repute, access to resources etc. seem to help explain responsible behaviour from personal, stakeholder, social and market perspective’. In a similar vein it is argued that social capital forms the basis of long term performance of SMEs embedded into a local community (Perrini 2006). Referring to the importance of social capital, Melin and Salvato (2008), report that family businesses have created value by their ability to renew and reshape their social interactions within and outside the family, rather than depending on unique resources. They further report that family specific social interactions among family members and between the non family members play a significant role in developing adaptive strategies overtime to survive in a competitive environment.

The following section presents a model to demonstrate the link between CSR and social capital in family businesses. We also present a set of propositions specifying the factors influencing the CSR orientation of family businesses and the interconnection between social capital, CSR orientation and growth of family businesses.
LINKING FAMILY BUSINESS, CSR AND SOCIAL CAPITAL

Based on the review of the literature above, we present a conceptual model below (Figure 1) to help us understand the link between CSR, and social capital in family businesses. Drawing from the literature, the model proposes that family businesses can either have CSR orientation or little or no CSR orientation. The degree of the orientation of the family business towards CSR is determined by a number of variables which can be broadly classified under two types – demographic and other variables. The demographic factors include generation, age, gender, education of the owners and size of the firm and other variables include family values, amount of the wealth tied to the firm, degree of family ownership, the spill over effects of the businesses, socioeconomic conditions, and degree of self interest of family owners.

The model suggests that CSR orientation of the family businesses helps in creating a strong social capital which in turn influences family businesses in mainly two ways. It forces the businesses to be socially responsible and it also impacts on the growth of the family business in a positive way, which can be explained by reciprocity and enlightened self interest model. Niehm et al (2008) argue that social capital which is created by relational ties between the family business and the stakeholders leads to intangible assets in terms of trust, commitment, loyalty, reputation and reciprocity- all of which are very important for family businesses. If the businesses have a strong social capital, then they are likely to be socially responsible and act for the benefit of their stakeholders to enhance their image and reputation and this will be reciprocated to them over time through customer and employee loyalty, good public image, goodwill leading to increased growth profitability and decreased turnover of employees. Also as the business grows in size and resources it is more likely that it will invest further in social capital (Niehm et al, 2008).
Conversely as shown in the Figure 1, if the businesses have little or no CSR orientation then they are likely to create a weak social capital as they do not take into account the interest of their stakeholders and are not involved in socially responsible activities. This poor relationship with the stakeholders, overtime is likely to be reciprocated to them as is suggested in enlightened self interest theory through negative image, poor reputation, decreased mutual trust and loyalty of the customers and the employees alike, which altogether negatively impact on the growth of the business.

We explain the different assumptions in the model in details below.

**Figure 1 here**

**Family Business and their CSR orientation**

The degree of the orientation of the family business towards CSR can be determined by a number of variables and are discussed below briefly.

**Demographic variables**

There have been a few research investigating the effects of demographic variables i.e. gender, generation, age and education of the respondents with their CSR orientation (Uhlaner et al, 2004; Niehm et al, 2008). The findings in some cases are inconclusive and inconsistent. For example Godfrey (1995) reported that female managers are likely to be more socially responsive than their male counterparts. However the link between gender and their CSR orientation was not supported in Uhlaner et al’s (2004) findings. Similarly in their study Uhlaner et al (2004) found second generation owners to be more CSR oriented than first or third generations, but they could not come up with any reasonable explanation due to the nature of their pilot study. Reporting the work of Dawson, Breen ad Satyen (2002), Niehm et
al (2008) report that younger business operators were found to be more CSR oriented than those who were 50 years of age and those with a professional degree saw business decisions as closely linked to personal moral decisions. Thus the findings on the link between demographic variables and the CSR orientation of family businesses are inconclusive and there is also a dearth of research in this area.

The size of the firm (represented by employees and annual turnover) in terms of its resources and capabilities is an important determinant influencing the CSR orientation. Niehm et al (2008) through their empirical study of 221 family firms in USA found that there is a significant positive relationship between the firm size, and educational level of the owners and their CSR orientation. They further argue that a size threshold exists beyond which family businesses can give support and receive reciprocal benefits that impact family businesses. As family businesses grow in size and resources and business capabilities they are more likely to give support and receive support in return and realise business success (Niehm et al, 2008).

Other variables

As CSR is fundamentally a vision or philosophy about the purpose and role of business in society it is influenced by family values, culture and traditions. If a family business is influenced by family values that focus on fairness, equality, integrity, care for others, than it is likely to operate more ethically than non family businesses. This is supported by the findings of Glavin et al (2007) which indicate that family orientation translates into more ethical behaviour. In their survey of 1000 family firms, Glavin et al (2007) reported that 57 percent of the respondents answered that being a family business affected their firms’ ethical behaviour. The survey findings further reinforce the strong impact of the family on the business with 83 percent of respondents stating that their families have a high influence on the
business and 91 percent indicating that the owning family’s values are emphasized in the business (Glavin et al, 2007).

The amount of an owner’s wealth tied to the firm is also a variable influencing its CSR orientation. Dyer and Whetten (2006) argue that the more the amount of family wealth tied to the firm, the more socially responsible their businesses are likely to be. If the owners of the family firm have a significant amount of their wealth tied to the firm then they are likely to invest in areas of CSR to build a positive social capital and support (Dyer and Whetten, 2006; Wiklund, 2006). As they have their wealth tied to the firms, it is not easy for family businesses or institutional owners to escape the sanctions unlike their family business counterparts in case of unwanted behaviour or irresponsible business practices. The amount of wealth tied to the firm thus forces the businesses to be more accountable.

There are several perspectives on the degree of unification between management and ownership and efficiency or competitive advantage. A number of studies have suggested that the higher the degree of unification between management and ownership, the more likely it is for the family to instil their values, identity and identification in the firms and the greater is its ability to enforce CSR policy (Dyer and Whetten, 2006 and Wiklund, 2006). From a slightly different perspective Durand & Vargas (2003) argue that a higher degree of unification between management and ownership provides family with more authority in making and implementing decisions relating to careful resource conservation and allocation. It is also argued that that the unification of ownership and control in family businesses may reduce agency costs (Jensen & Meckling, 1976; Durand & Vargas 2003; Dyer, 2003), since the goals of the managers and owners are aligned. However there are studies (Dyer, 2003; Schulze, Lubatkin, Dino, & Buchholtz, 2001) that have contrasted this view arguing that family businesses are likely to incur more agency costs due to altruism that undermines effective
monitoring and creates free riders. Family firms are viewed to be conducive of self-control with personal rivalries and altruism (Schulze, Lubatkin, Dino, & Buchholtz, 2001).

As family businesses are composed of two components – family and business-, there is more likelihood of spill over effects between family and business. This is strongly supported by Wiklund (2006), who argues that there are also spills over effects between the family and their businesses which include family values spilling over business values and negative publicity spilling over from the businesses to the family. As a result of the spill over effects family businesses are more likely to be oriented towards CSR policies.

In addition factors like socioeconomic condition in which the family business operates and the degree of self interest of the family members involved in the business are also likely to influence its CSR orientation as discussed earlier. The foregoing discussion therefore leads to the following proposition.

**Proposition h1:** The orientation of family businesses towards CSR is likely to be affected by a number of variables which range from demographic factors i.e., age, gender, education, generation, size of the firm and other variables which include family values, amount of wealth tied to the firm, degree of ownership, spill over effect, socioeconomic condition and degree of self interest.

**Family Businesses, CSR orientation and Social Capital**

The basic assumption of enlightened self interest model is that the businesses that engage in socially responsible business practices will be more successful than those that do not (Besser and Miller, 2001). Following this reasoning, a family business that is CSR oriented, and is involved in producing tangibles of good business practices in terms of environmental
protection, building of community is likely to build strong relationships with both internal and external stakeholders, and an enhanced public image and reputation. Their orientation towards CSR will further help not only in strengthening the existing, but also developing further networks and interpersonal trust which are the key dimensions of social capital. The strong social capital created by strong networks with internal and external stakeholders and interpersonal trust in turn is likely to force the businesses to act more responsibly to protect their reputation and image. It is argued that social capital is even more important for family businesses as they have easy access to it through common ancestry and shared family identity (Sundaramurthy, 2008). Further strong internal social capital is likely to lead the family businesses towards better mutual understanding and management of conflict. Conversely, if a family business has little or no CSR orientation then it is likely to develop weak social capital with its internal and external stakeholders, leading to low trust, negative image and poor reputation. The weak social capital is also likely to make the businesses more alienated from the society and CSR orientation. This leads to the following propositions.

Proposition h2a: The CSR orientation of a family business is likely to create a strong social capital and vice versa or in other words a strong social capital is likely to make the firms more CSR oriented.

Proposition h2b: Little or no CSR orientation of a family business is likely to create a weak social capital and vice versa or in other words a weak social

Social Capital influencing growth of Family Businesses

It is now widely recognised that if business are successful in maintaining a trusted relationship with their stakeholders than they are more likely to succeed than those who do not (Besser and Miller, 2001). A growing body of studies confirm that enhanced stakeholder
relations lead to more successful businesses as they not only help in the retention of customers but also lead to building loyalty and interpersonal trust which are the intangibles of CSR enhancing corporate value. In this age of customer awareness, stakeholders particularly, employees, consumers and society as a whole have become increasingly sensitive to the social performance of companies and the degree of social responsibility displayed by companies (Hammann et al, 2009). As social capital is fundamentally about networks and how people interact with each other, with norms of reciprocity, a strong social capital is likely to enhance the repute, image and goodwill of the businesses. Internally, social capital can be a network of trusted relationships between the executives and employees while externally it can manifest itself in a close relationship with stakeholders particularly the customers. For example investing in employees can bring direct benefits to the business leading to loyalty, staff, morale, and decrease in employee turnover which will have a positive effect on the growth of the business. Further, a strong internal social capital in the family business not only increases mutual understanding between family members but also reduces conflict (Chirico and Salveto, 2008). Referring to the importance of internal social capital, the authors further argue that family businesses that can effectively integrate their individual specialised knowledge through close interaction of kinship ties and reciprocal trust are likely to be more successful in the competitive market as they are able to change their capabilities over time. It is argued that as the businesses grow in size, they are more likely to invest further in social capital (Niehm et al, 2008) and be CSR oriented.

A weak social capital characterised by poor relationship with internal and external stakeholders on the other hand is likely to negatively influence the growth of the family business. Poor relationship with the employees and other family members within the business is likely to lead to conflict, low interpersonal trust, poor staff morale and increase employee
turnover. Similarly, weak relationships with external stakeholders i.e. customers, suppliers and society lead to low trust, negative image and poor reputation. This together affects the growth of the businesses and as they struggle for existence and resources they are not likely to invest in social capital. Based on the discussion above, we propose the following propositions

Proposition h3a: A strong social capital is likely to positively influence the growth of family businesses in terms of profitability, customer loyalty and decrease turnover of employees and as the business grows it is more likely that it will invest further in social capital.

Proposition h3b: A weak social capital is likely to negatively influence the growth of family business in terms of profitability, customer loyalty and employee turnover, and as the business struggles, it is less likely that it will invest in social capital.

CONCLUSION, IMPLICATIONS AND LIMITATIONS

Based on enlightened self interest model and integrating the literature on family business, CSR and social capital, we have presented a model that provides some insights into the dynamism between CSR and social capital in family businesses. The basic premise of the model is that the CSR orientation of family businesses can be influenced by a number of variables. The model also highlights the interconnection between CSR, social capital and the growth of family businesses. In the context of the challenges of continued survival and growth faced by family businesses, this paper provides important implications for these businesses to be socially responsive and invest in building a strong social capital.

This is however a theoretical study and further research is needed to test the proposed model and the hypotheses to understand the dynamism between these values. The paper is
one of the first to propose a model to promote our understanding of the dynamism between CSR and social capital in family business— an under researched area in the field of family business.
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Figure 1: A Model Explaining the Dynamism between CSR and Social Capital in Family businesses

Factors influencing CSR orientation
a. Demographic
   - age, gender, education, generation
   - size of the firm
b. Other variables
   - family values
   - amount of wealth tied to the firm
   - degree of family ownership
   - spill over effects
   - socioeconomic condition
   - degree of self interest

CSR orientation

Family Business

h1

Little or No CSR orientation

h1

Social Capital

Strong/weak

h2a

h2b

Growth of Family Business

- profitability
- customer loyalty
- decrease employee turnover

h3a

h3b

Indicates positive effect of strong capital

Indicates negative effect of weak social capital