

The Family Firm and Place: A Socio-Natural Agency Perspective of Sustainability

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Abstract

We envision family firms as agents of nature due to their strong sense of meaning with place. Establishing that as a priori, we draw on agency theory, the behavioral agency model and the natural resource-based view to show that the governance mechanism of family firms maximize social and environmental welfare, while pertaining to their socio-emotional wealth preservation and maximization goals. Using a socio-natural agency perspective, we show (1) how the grounding of family firms to place/nature creates an ideal platform for behaving in a pro-social and pro-environmental manner due to the minimization of socio-natural agency costs and (2) how such behavior translates into maximization of firm value through the development of valuable resources and capabilities that create sustainable competitive advantages. The model itself is self-sustainable because of its systemic nature: competitive advantages and resultant above-average profits incentivize the pro-social and pro-environmental activities that created them in the first place – thus further aligning the principal-agency relationship between family firms and nature. Such a conceptualization extends our understanding of how family firms are able to meet the triple bottom line of economic, social and environmental sustainability in a systemic way; at the same time, it has practical implications for both family and non-family firm sustainability management practices.

Keywords: Agency theory; CSR; family business; natural resource-based view; sustainability