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Are Family Firms Greener? Evidence from Environmental Disclosure and Performance

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We thank Farid Toubal for his comments. This research was supported by the “Family Business and Long-Term Investment Chair”, Université Paris-Dauphine.

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Abstract

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Keywords: Family firm, carbon emissions, green innovation, ESG scores, family firm heterogeneity, Literature review

JEL Classifications: G32, M14, Q50

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January 2026

Abstract

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1 Introduction

Environmental transition is becoming an increasingly important concern for companies. While numerous studies examine the impact of environmental and social (E&S) oriented investors on companies' E&S policies (Dyck et al., 2019), the broader question of how shareholder type affects companies' propensity to be more or less environmentally oriented has been less documented, mainly because it is difficult to gauge shareholders' appetite for environmental issues in general. Our literature review addresses this issue, focusing in particular on family shareholding.

Among controlling blockholders, family shareholders represent the largest group. Given their long-term orientation, which is widely highlighted in the literature, one might assume that family businesses naturally make pro-environmental choices. On the other hand, family businesses with few minority shareholders are less exposed to the incentives of E&S-oriented investors. They are also less indebted than non-family businesses (Hansen and Block, 2021) and therefore less sensitive to the demands of green-oriented banks, which are themselves seeking to decarbonize their loan portfolios. Their desire to maintain control over capital may also conflict with the development of pro-environmental strategies, particularly in resource allocation. Thus, the impact of family ownership on environmental performance could be positive or negative depending on whether the former or latter arguments prevail. It is also possible that, depending on the characteristics of family businesses, behaviors may differ and that significant heterogeneity in their environmental decisions may be observed.[1]

[1] Several studies focus on overall CSR performance without breaking it down and without focusing on environmental aspects (see for example Meier and Schier, 2021). Other studies adopt a managerial perspective for example Breton-Miller and Miller (2016), Lorenzen et al. (2024), and Miroshnychenko et al. (2022). In this literature review, we focus on environmental performance and prioritize studies conducted from a financial

After reviewing theoretical foundations that may justify differing levels of environmental performance in family businesses, this article examines empirical studies on carbon emissions, environmental scores, green innovations, and environmental management practices. The papers are based on various definitions of family businesses (majority or minority shareholding, family or non-family management, presence on the board of directors), and on different scopes considered (listed or unlisted companies, large/small firms, several countries or a single country, in various institutional settings). The results obtained shed light on the heterogeneity of environmental decisions in family firms and on the caution they display in disclosing information, which directly influences the environmental scores assigned by extra-financial rating agencies.

2 Theoretical foundations underlying the analysis of environmental performance in family businesses

We mobilize several theoretical perspectives to analyze the environmental performance of family firms. First, family businesses are not constrained by short-term shareholders. They can consider a long-term horizon, which is also the timeframe for environmental changes (2.1.). Second, family shareholders are committed to the company and concerned about their reputation, which can be reinforced by pro-environmental behavior (2.2). On the other hand, family businesses, even listed ones, have few institutional investors in their capital, and the

perspective. For a review of the literature on social aspects in family businesses, see Belot and Ginglinger (2025).

trend toward a growing number of E&S-oriented investors has little impact on them (2.3). Finally, more and more authors are highlighting the heterogeneity of family business behavior, which can range from the best to the worst in the field of interest (2.4). We examine how this heterogeneity translates into environmental decisions.

2.1 Long-term orientation

Environmental decisions have a long-term perspective: IPCC reports forecast global warming by 2050 or even 2100, which can be influenced by the decisions companies make today. This long-term perspective is also shared by many family businesses (Le Breton–Miller and Miller, 2006). They are often keen to pass the business on to future generations and are not required to report quarterly to external investors. As they are in it for the long haul, they also seek to integrate harmoniously into their environment. Gloßner (2019) finds that the long-term horizon of institutional investors, as measured by the length of time they hold shares and portfolio turnover, leads to better environmental and social performance. Furthermore, when these long-term investors hold significant stakes, they also ensure that environmental and social strategies are in the interests of shareholders.

2.2 Reputation and socio-economic wealth

The family business is an integral part of the lives of family shareholders. In contrast, for non-family shareholders or professional managers, the relationship with the company is more distant and utilitarian. As Berrone et al. (2010) point out, family shareholders should therefore be more inclined to adopt pro-environmental strategies to avoid being stigmatized as irresponsible corporate citizens. Public condemnation could be emotionally devastating for family members, as it tarnishes the family

name. Accidental pollution would thus give the family as a whole a bad reputation and result in a loss of the family's socio-emotional wealth (Berrone et al., 2012).

2.3 External pressure

2.3.1 Investors and banks pressure

Empirical evidence suggests that institutional investors can incentivize firms to increase their environmental performance. In particular, investors committed to environmental issues will be able to challenge the companies in their portfolios and encourage them to improve their environmental strategies (see, for example, Barko et al., 2022, and Dyck et al., 2019). However, family businesses, even listed ones, have relatively few institutional investors, as the latter are reluctant to commit alongside a majority shareholder. For example, Berrone et al. (2010b) and Rubin (2007) document a negative correlation between insiders' blockholdings and institutional investors' holdings, confirming that institutions are more likely to invest in firms without concentrated insider ownership.

Other studies highlight that banks committed to environmental transition can encourage the companies they finance to become greener. They are also likely to refrain from financing polluting companies, thereby putting pressure on them to change their business practices (see, for example, Green and Vallee, 2024). On the other hand, Giannetti et al. (2025) highlight the gap that exists between banks' green reporting and their actual lending behavior toward businesses. Since family businesses are on average less indebted than non-family businesses (Anderson et al., 2003; Molly et al., 2012), green incentives from banks, if effective, should be less relevant to them.

2.3.2 NGO engagement

Maggioni and Santangelo (2017) use a large sample of Italian manufacturing firms to examine how local environmental non-profit organizations (ENPOs) affect green investment strategies (GIS) for family and non-family firms. They find that ENPOs favor GIS engagements by family firms, in part because of their local embeddedness. The environmental policies of non-family businesses are not affected by the presence of ENPOs.

To wrap up, these results show that family businesses are less subject to green pressure from investors and banks, but may be more sensitive to lobbying of local non-governmental organizations.

2.4 Agency costs and heterogeneity

Environmental expenditures can enable a company to reduce its risk exposure and thereby increase shareholder value. They can also represent expenses that reflect management's environmental values and commitments, without any positive impact on the company's shareholder value.

In a family-owned company, agency costs between managers and shareholders are limited because their interests are largely aligned. Thus, in principle, environmental strategy decisions should align with shareholder preferences rather than with managers' values. However, some authors point out that interests may not be fully aligned when the CEO is not a family member (Chua et al., 2003). For example, when family share ownership is spread across several branches of the family with potentially divergent interests, or when the family is dependent on the skills or network of an external manager, the latter may be guided by personal

objectives. Recruiting an external CEO is therefore a decision that can create significant tension between the two main points of reference for family businesses: economic performance and the preservation of the family business. On the one hand, this recruitment may pose a threat to the socio-economic wealth due to the risk of a change in strategic direction or a departure from family values. On the other hand, it represents a potential opportunity to improve financial performance (Bennedsen et al., 2007).

In the absence of minority shareholders, family shareholders may either adopt environmental expenditures that provide them with non-financial satisfaction and socio-economic attachment, or, because they are otherwise not well diversified, they may prefer to reduce environmental expenditures to maximize the company's financial value. Family firms' environmental decisions are therefore primarily based on the convictions of the family shareholder group, and these convictions may conflict with the family's valuation and wealth considerations (for a discussion of these aspects, see Abeysekera and Fernando, 2020).

These two aspects (convictions and wealth) can lead to very different decisions across companies. Miller and Le Breton-Miller (2021) highlight how family businesses can be found at both ends of the spectrum (the best and the worst) in areas as diverse as innovation, performance, and social conditions. Similarly, this heterogeneity could also be found in environmental policies (Miroshnychenko et al., 2025). If this is the case, simply comparing family and non-family businesses as a whole may not highlight the full diversity of behaviors.

Table 1. Summary of the predictions of the impact of family firms (FF) on environmental performance

Family firms have better environmental performance	Family firms have worse environmental performance	The relationship is uncertain
Long-term orientation of FF	Less exposed to SRI investors' pressure to become greener	There is tension between financial objectives and environmental objectives. Depending on the family characteristics, one or the other may be prioritized.
Socio-economic wealth and reputation	FF are less leveraged, and are less exposed to banks' pressure to become greener	A non-family CEO can exacerbate tensions related to these two objectives.
External pressure by NGO		

3 Family businesses, disclosure, and E&S performance

We begin by reviewing results showing that, in general, family businesses disclose less information than non-family businesses. We then examine the implications of these findings for environmental issues.

3.1 Family businesses disclose less information, but of a higher quality

Several studies show that listed family businesses are less transparent than non-family businesses. They publish less information and are followed by fewer financial analysts (Anderson et al., 2009). These results are consistent with those of Ali et al. (2007), showing that family businesses publish less information but of higher quality. Chen and Chen (2008) find that family firms provide fewer earnings forecasts and conference calls, but more earnings

warning. The higher likelihood of earnings warnings is consistent with family owners having greater litigation and reputation cost concerns.

Opacity seems even more pronounced among companies whose names are those of the shareholder family (Müller et al., 2023). On the other hand, Minichilli et al. (2022) find that these companies publish higher-quality information, insofar as they engage less in earnings management and experience fewer tax-related misstatements.

To wrap up, the results of various studies indicate that family businesses tend to maintain business secrecy by publishing less information than non-family businesses. On the other hand, because they are sensitive to their reputation, they will publish information that is generally of higher quality.

3.2 Implications for environmental information of family firms

Most papers rely on a single rating agency. However, rating agencies use different approaches and methodologies to construct their scores, which leads to sometimes significant divergences in environmental ratings, as Berg et al. (2022) point out. The number of indicators used can vary greatly. For example, LSEG (Asset4[2]) uses 282 indicators, while Moody's uses only 38 and MSCI 68 (source: Berg et al., 2022, Table 4). The raw data for Asset4 indicators are collected by content analysts using publicly available sources (company websites, annual

[2] Asset4 was created in 2003 and has changed owners several times since then. The database was integrated into Thomson Reuters in 2009, then joined Refinitiv in 2018, which was subsequently sold to the London Stock Exchange Group (LSEG) in 2021. For the purposes of this literature review, we will retain the name Asset4, which appears in most of the studies cited (see De Villiers et al., 2022)

reports, and CSR reports) or contributed by firms. In addition, Asset4 data has been retroactively modified, so depending on the date of download, it may not be identical (Berg et al., 2020).

Thus, if the disclosure policies of family businesses highlighted in financial reporting (less information but of higher quality) are similar for non-financial information, they will be penalized by rating agencies that rely on a large number of indicators. In particular, the ratings they receive from Asset4 will likely be unfavorable.

Beyond the number of indicators, the measurement of environmental practices is also a source of disagreement among agency ratings. Some agencies will prioritize the financial impact on the company's value. This value can come through risk management and return opportunities. Other rating agencies will measure the societal impact, the effects of firms' business decisions on the environment, and the firms' communities (for more on the debate between value and values, see Starks (2023). Even though there has been greater convergence in ratings between agencies recently, due to the takeover of some agencies by the major credit rating agencies, there were significant differences in assessment between European agencies, such as Vigeo-Eiris, which has its roots in trade unions and charities, and US agencies, which are more focused on financial impact.

Here again, if family businesses that are concerned about their reputation emphasize the impact of environmental strategies on societal materiality, they may be penalized by agencies that focus more on financial materiality.

4 The family business and environmental performance

In this section, we present the results of empirical studies that examine the impact of family ownership on ESG ratings (3.1), carbon emissions (3.2), and green innovation (3.3).

4.1 Environmental ratings

First, it is important to note that ESG ratings are only available for listed companies. Overall, the results are mixed, with some findings that are favorable to family businesses and others much less so. Table 2 presents a summary of the results of several papers, without claiming to be exhaustive, as there are so many studies.

According to our previous hypothesis, studies that use Asset4, which collect a large number of indicators, yield results that are rather unfavorable to family businesses. For example, El Ghoul et al. (2016) who examine a sample of publicly traded firms from nine East Asian economies, find that family-controlled firms have lower environmental performance, as measured by Asset4. Similarly, using a sample of 3083 firms from 62 countries over 18 years, Villalonga et al. (2025) also find lower environmental performance among family firms, unless family members serve as CEOs. Using 10 KPIs from Asset4 database to measure pollution prevention, 4 KPIs to measure green supply chain management, and 3 KPIs to measure green product development, Miroshnychenko and De Massis (2022) find that family firms have lower environmental performance than non-family firms for all three indicators.

In contrast, using the KLD environmental rankings for a sample of US-listed firms, Abeysekera and Fernando (2020) conclude that family firms are comparable to non-family firms in terms of environmental concerns, but they have significantly lower strengths. Similarly, Liu et al. (2017), using the same database for US firms, find that family firms have

both fewer strengths and fewer concerns, and that the combination of the two is favorable to them compared to non-family firms. These results suggest that family businesses, mindful of their reputations, will avoid strategies that could provoke controversy. They seem more conservative when it comes to positive decisions. These points could also explain the differences in results between studies based on KLD data and on Asset4 data, which, until 2017, did not include items related to controversies (De Villiers et al., 2022).

Table 2. Family businesses and environmental scores (e-scores)

Authors	Countries	Number of firms	Period covered	Data	Explained Variable	Results
Abeysekera and Fernando (2020)	US	232	2001-2009	KLD (MSCI)	5 KPIs Environmental strengths and 7 KPIs concerns	family firms have significantly lower environmental strengths compared to nonfamily firms. They are comparable in terms of concerns.
El Ghoul et al (2016)	9 East Asian countries	1719	2002-2011	Asset4	E-score (ESG)	Family firms have lower environmental performance than non family firms.
Liu et al (2017)	US	2369 firm-years	2003-2010	KLD (MSCI)	Total strength scores minus total concern scores	Family firms have better environmental performance than nonfamily firms: They have both less strength and fewer concerns, and the combination of the two is favorable to them.
Miroshnychenko and De Massis (2022)	45 countries	2032	2007-2014	Asset4	pollution prevention (10KPIs) ; green supply chain management (4 KPIs) ; green product development (3KPIs)	Family firms have lower environmental performance than non family firms.
Villalonga et al (2025)	62 countries	3083	2002-2019	Asset4	E-score (ESG)	Family firms have lower environmental performance than non family firms, unless family members serve as CEOs.

4.2 Real effects

Ratings by non-financial agencies take into account multiple dimensions, many of which are declarative. They can therefore lead to greenwashing when companies have well-designed communication policies (see, for example, Duchin et al., 2025; He et al., 2024). This is why it may be appropriate to examine companies' actual behavior regarding carbon emissions or green investments.

4.2.1 Carbon emissions

Several studies compare the carbon emissions of family businesses with those of non-family businesses. Table 3 summarizes the results of a few papers. Several data suppliers provide carbon emissions data, and it can be assumed that this information is less prone to reporting bias than ESG scores.

Borsuk et al. (2024) use a large sample of 6601 firms from 42 countries over 2010-2020. Their carbon emissions measurements come from Urgentem. They find that family firms emit less carbon than non-family firms, across scopes 1, 2, and 3. Thus, when examining actual environmental performance, family businesses outperform non-family businesses. What is salient in their study is that, as in the studies cited above, they find that the environmental ratings given by extra-financial rating agencies, in their case Asset4, are lower for family businesses than for non-family businesses. In particular, they show that family firms are less likely to make public commitments to reducing their emissions, but ultimately deliver more. As the authors point out, in the absence of agency conflicts between shareholders and managers, the latter have little incentive to signal their environmental virtue through commitments, unlike managers of listed companies, for example, who need to convince ESG-oriented investors.

Guizani et al. (2025) examine 308 French-listed firms over the period 2002-2020. Their measures of carbon emissions are sourced from the S&P Trucost database. Confirming the previous results, they find that the family businesses emit less carbon, both directly and indirectly. These results are even stronger when the CEO is also the company's founder.

Gómez-Mejía et al. (2025) examine carbon emissions minus median industry emissions for a sample of 773 firms from 22 European countries over 2009-2014. Their carbon emission measure comes from the EU ETS database. They also confirm that family firms emit less carbon

than non-family firms. Going back a step in time (1998-2002) and using different data (the Human Toxicity Potential factor from the US Environmental Protection Agency), Berrone et al. (2010) find that family firms pollute less than their non-family competitors. They also highlight an enhanced effect when the firm concentrates its operations in a given local area.

To wrap up, family businesses emit less carbon than non-family businesses, regardless of the database used (Urgentem, Trucost, EU ETS, or EPA data).

Table 3. Family businesses and carbon emissions

Authors	Countries	Number of firms	Period covered	Public/ private firms	Data	Explained Variable	Results
Berrone et al (2010)	US	194	1998-2002	public	EPA (U.S. Environmental Protection Agency)	Human Toxicity Potential (HTP) factor	family firms exhibit better environmental performance than their competitors. Enhanced effect when the firm concentrates its operation in a given local area.
Borsuk et al (2024)	42 countries	6600	2010-2019	public	Urgentem	carbon emissions	family firms emit less carbon than non-family firms, especially after the Paris Agreement.
Borsuk et al (2024)	42 countries	6601	2010-2020	public	Asset4	E-score	family firms display lower e-scores, due to their lower public commitments to reduce carbon emissions and contrasts with their lower actual GHG emissions.
Borsuk et al (2024)	42 countries	6601	2010-2020	public	Asset4/Urgentem	E-score and carbon emissions	Non family CEOs lead to a better e-scores and higher carbon emissions, while the arrival of an heir has the opposite effect on these two variables.
Gomez-Mejia et al (2025)	22 European countries	773	2009-2014	both	EU ETS	carbon emissions minus median industry emissions	family firms emit less carbon than non-family firms.
Guizani et al (2025)	France	308	2002-2020	public	S&P Trucost	carbon emissions	Family businesses emit less carbon, both directly and indirectly. This is even more true when the CEO is the founder of the company.

4.2.2 Green innovation

Articles focusing on green innovation draw on patent filings and their characteristics, and compare family- and non-family-owned businesses in these areas. Table 4 summarizes the results.

Borsuk et al. (2024) use data on green patent applications and their citations from the BvD Orbis IP database. They find that family firms file more green patents than non-family firms. Furthermore, green patents from family firms receive significantly more citations.

Andrieu and Cutinelli-Rendina (2025) measure innovation by patenting activity on a large sample of mostly private French firms over the period 2014-2019. They find that family firms are significantly less likely to engage in innovation, supporting the view that they may adopt more conservative strategies and exhibit greater risk aversion. However, conditional on innovating, family firms are more likely to file green patents and show greater green intensity.

Using a sample of 8,918 green patents granted to family and non-family firms between 2014 and 2018 for US firms, Chirico et al. (2025) examine the value of innovation by measuring stock price reactions to patent grants. They find that family firms with longer green patent grant lags (a proxy for technologies at early stages of development) exhibit a more positive market reaction. In contrast, those with higher patent radicalness (patents at the technological frontier) experience a more negative market reaction than non-family firms. Their results suggest that the market value of different types of green patents differs between family and non-family firms. Investors appear to discount the radical green patents of family firms, which contrast with their perception of family firms as being risk-averse. On the other hand, investors value patents that are likely to benefit from the long-term support offered by a family-owned firm.

In summary, family businesses have a more dynamic environmental innovation policy than non-family businesses. However, for listed companies, investors place greater value on the ability to support long-term innovation in its initial stages than on innovations at the cutting edge of technology.

Table 4. Family businesses and green innovation

Authors	Countries	Number of firms	Period covered	Public/ private firms	Data	Explained Variable	Results
Andrieu et al (2025)	France	325446	2014-2019	public and private	CASD + INPI	Green Patents	conditional on innovating, family firms are more likely to file green patents
Borsuk et al (2024)	42 countries	6600	2010-2019	public	Orbis IP	Green patents	family firms file more green patents than non-family firms
Borsuk et al (2024)	42 countries	6600	2010-2019	public	Orbis IP	Patents citations	green patents from family firms receive significantly more citations
Chirico et al (2025)	US	8918 patents	2014-2018	public	KPSS patent database	Green Patents	family firms with technologies at early stages of development realize a more positive market reaction whereas those with higher patent radicalness experience a more negative market reaction.

4.3 Heterogeneity of family firms

Family businesses are not a monolithic bloc. Depending on their characteristics, they may be more or less environmentally friendly. We examine successively the impact of being listed, of having more or less developed green preferences, and, finally, of governance characteristics.

4.3.1 Public versus private firms

Li and Wu (2020) emphasize the differences in environmental behavior between listed companies and private companies. They create a database of ES-impact events for 54,599 public and private companies from 2007 to 2015 using RepRisk data. They show a marked difference between public and private companies: while private companies significantly reduce their negative E&S incidents after committing to the United Nations Global Compact, public companies do not. They are more likely to engage in CSR actions with no real subsequent impact, akin to greenwashing. These findings are also interesting from the perspective of family businesses. Most family businesses are privately held. Even when they

are publicly traded, they have a large block of family shareholders, who may hold a majority stake. They therefore have characteristics that set them apart from publicly traded companies with a dispersed shareholder base, particularly in terms of communication, as noted above.

In their meta-analysis of 87 studies, Lorenzen et al. (2024) confirm that listed family companies have poorer environmental performance than private family companies, and also make less favorable environmental decisions. According to them, smaller family businesses are also more likely to perform well in environmental terms than larger firms, even unlisted ones.

4.3.2 Green preferences

Using 17 indicators calculated by Refinitiv (Asset4) to characterize environmental strategies for pollution prevention, green supply chain management, and green product development, Miroshnychenko et al. (2025) calculate an environmental management practices index for a sample of 1690 publicly traded firms from 29 countries and 19 industrial sectors. They show that among the least advanced firms in the sample in terms of green practices, family businesses perform worse than non-family businesses. Among the most advanced companies, the two categories of companies are comparable.

Similarly, research based on environmental indicators calculated using Large Language Models also concludes that, on average, family businesses have less advanced environmental policies than non-family businesses. Using a sample of 3,769 firms from 35 countries in 2023, Dyck et al. (2025) employ large language models to construct a novel measure of owners' environmental preferences. They find that families with clean preferences perform no better

than widely held firms, while those without clean preferences emit about 20% more carbon than widely held firms.

4.3.3 Family CEOs versus professional CEOs

Borsuk et al. (2024) examine the impact of CEO characteristics on carbon emissions and e-scores. They find that when an outside professional CEO manages the firm, environmental scores are higher, despite higher carbon emissions. In contrast, a family CEO, whether founder or heir, has the opposite effect on these two variables. These results suggest that professional CEOs communicate more with shareholders to convince them of their pro-environmental approach (which increases environmental scores), but prioritize financial results over real environmental effects (which increase carbon emissions).

5. Conclusion

In contrast to companies with dispersed ownership, family-run businesses, because of the long-term presence of their shareholders and concern for reputation, can prioritize strategic decisions that benefit the environment, to pass on to their heirs a company capable of coping with the ecological transition. However, these decisions may adversely affect short-term financial results, creating potential tensions. The results of the studies reviewed indicate that the choice of measures used to assess environmental policy is critical. The environmental scores assigned by extra-financial rating agencies are generally unfavorable to family businesses. They are based on a large amount of collected data, and family businesses are

penalized by a disclosure policy that, on average, is less developed than that of non-family businesses. On the other hand, all studies, regardless of data source, agree that, all other things being equal, family businesses emit lower carbon emissions than non-family businesses. In addition, family businesses also develop more green innovations. We can therefore conclude that family businesses promise less but deliver more in terms of environmental performance.

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