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Family ownership and other owners' characteristics explaining SME's environmentally friendly practices engagement: Adapting the upper echelons theory perspective

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ABSTRACT

Applying the dominant coalition concept to firm owners and building on the tenets of Upper Echelons Theory and the ability-willingness framework, we examine the contingent role of owner-firm eponymy, owners' social values, and owners' community ties on the relationship between family ownership and environmentally friendly practices (EFP) engagement in small- and medium-sized enterprises (SMEs). Results from a stratified random sample of 243 Dutch SMEs indicate no main effect of family ownership, nor any interactions with the other three owner characteristics. However, additional results show that owner-firm eponymy and owners' social values have positive main effects on EFP engagement. As such, our findings clarify the impact of owners' coalition-centered noneconomic goals, such as enhancing reputation and implementing social values, which extend beyond purely family-centered goals. Furthermore, resonating with the debate on the role of economic versus noneconomic goals, a positive interaction between family ownership and financial benefits on EFP engagement suggests that economic goals accentuate the effect of family ownership, consistent with a mixed-gamble logic.

1. Introduction

Van Eikendaal Foods B.V.[1] *is a third-generation family business with 148 employees. It is located in a small village in the south of the Netherlands. Environmental impact has always been a high priority for the family. They recently built a new production facility with a focus on minimizing its effect on the environment. As the third-generation owner says, "We live in the same village, and our family name is visible on the company buildings. It is important to us that we treat not only our local community but also society in general with care."*

This study examines the influence of family ownership on engagement in environmentally friendly practices (EFP) in small and medium-sized enterprises (SMEs).[2] Engagement in EFP involves actions aimed at reducing pollution or using natural resources more efficiently to produce goods or services. EFP can also refer to activities that create products or services that directly reduce unnecessary use of these resources (Gadenne et al., 2009; Revell et al., 2010; Tyler et al., 2020). SMEs, a large proportion of which are family-owned,[3] are responsible for an estimated 60–70% of global industrial pollution (Calogirou et al., 2010; Simmou et al., 2023). These figures underscore the importance of understanding the antecedents of EFP engagement in SMEs, including the role of family ownership.

Prior empirical research in the SME context has validated the effects of several firm-level and individual-level antecedents of EFP engagement, including firm size and sector tangibility (Hoogendoorn et al., 2015; Leonidou et al., 2017; Uhlaner et al., 2012) as well as perceived benefits by the firm's key decision-makers, such as compliance, financial

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[1] While this vignette is based on a real business, its name is fictitious as the owners preferred to keep their name anonymous.

[2] For this study, SMEs are defined as firms with fewer than 250 employees (OECD, 2019).

[3] In the current study, we consider family-owned firms as those satisfying two criteria: 50% or more ownership by one family (Classen et al., 2014), and two or more owners who are related by blood or marriage. By only considering the first criterion, many individual owners would also be included who might otherwise be classified as solo entrepreneurs.

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benefits, and corporate image (Cordano et al., 2010; Ervin et al., 2013; Tounés et al., 2019; Williamson et al., 2006). However, researchers have been less successful in obtaining consistent results regarding the effect of family ownership on engagement in EFP. A better understanding of this relationship is the focus of the current research.

The accumulated research literature in family business to date yields ambiguous conclusions about the relationship between family ownership and a firm's environmental behavior. Some studies report a positive effect (e.g., Agostino & Ruberto, 2021; Berrone et al., 2010; Graafland, 2020; López-González et al., 2019), while others show a negative effect (Craig & Dibrell, 2006; Dekker & Hasso, 2016; Fan et al., 2021) or no effect at all (Herrero et al., 2024). Meta-analysis-based studies conclude that the effects of family involvement (including family ownership) are rather weak (Lorenzen et al., 2024; Miroshnychenko et al., 2022), although results vary depending on how family involvement and environmentally sustainable actions and outcomes are conceptualized and measured (Bauweraerts et al., 2022; Berrone et al., 2023; Fu et al., 2025; Miroshnychenko et al., 2025). The relationship between family ownership and EFP engagement also appears to depend on whether a study examines small versus large and/or publicly held firms (e.g., Lorenzen et al., 2024; Miroshnychenko et al., 2022). Overall, these findings raise skepticism about the main effect of family ownership on EFP engagement and suggest the need to consider contingency effects.

To identify appropriate contingency factors, this study's research framework draws on the dominant coalition concept as defined by Upper Echelons Theory (UET) (Mithani & O'Brien, 2021), and the ability-willingness framework (De Massis et al., 2014). Consistent with UET (Hambrick, 2005; Hambrick & Mason, 1984) and the family business literature (e.g., Arregle et al., 2007; Sharma & Sharma, 2011), we view the dominant coalition as the group that makes key strategic decisions for the firm (Cyert & March, 1963; Hambrick, 2005; Mithani & O'Brien, 2021), including those related to EFP engagement. UET originally identified the top management team (TMT) as the dominant coalition (Hambrick, 2005; Hambrick & Mason, 1984), with later research adapting the dominant coalition concept to the board of directors (Man Zhang & Greve, 2019) or the family (Arregle et al., 2007; Chua et al., 1999; Sharma & Sharma, 2011). In the SME context, we identify the owning group, regardless of family ties, as the dominant coalition (Ahrens, 2020; Ahrens et al., 2018; Ben-Shahar et al., 2023). This approach allows us to compare the effects of various owners' characteristics across SMEs, including family ownership and other owner characteristics. Linking UET with the ability-willingness framework, we assume that these characteristics determine the dominant coalition's source of discretion – in other words, its 'ability' (Skorodziyevskiy et al., 2024a) – and the motivation – or 'willingness' – to make specific key decisions for the firm.

Whereas the dominant coalition's ability draws from various sources of power, including ownership status and family relationships among its members (Finkelstein, 1992), willingness stems from its members' personal experiences, values, beliefs, and biases. This latter idea is consistent with the concept of bounded rationality (Cyert & March, 1963), adopted by UET, which posits that strategic choices made by the dominant coalition are not fully rational, with members' backgrounds serving to filter and interpret information used in decision-making (Hambrick, 2005; Hambrick & Mason, 1984). In our treatment of owners as a dominant coalition, we have selected three owners' characteristics, namely owner-firm eponymy, owners' social values, and owners' community ties, which we assume enhance the importance placed on the SME's reputational, social, and political goals, and thereby condition the likelihood of the owning group to engage in EFP (Lumpkin & Bacq, 2022; Randolph et al., 2019; Sharma & Sharma, 2011; Uhlaner et al., 2004; Williams et al., 2018; Zellweger et al., 2013). Owner-firm eponymy refers to the naming of the firm after one or more owners or founders (Hamelin, 2013). Owners' social values reflect their inclination to contribute to society at large and their sense of social responsibility (Uhlaner et al., 2007). Finally, owners' community ties refer to how close the majority or all owners' residences are to the firm's location (Amato et al., 2024; Kariyapperuma & Collins, 2021). These three owners' characteristics are associated with noneconomic, rather than financially oriented, goals (De Massis et al., 2018; Kotlar & De Massis, 2013; Martin et al., 2024). Building on both UET and the ability-willingness framework, we posit that these characteristics represent the 'willingness' of the dominant coalition and serve as boundary conditions of the relationship between family ownership and the SME engagement in EFP. They therefore complement family ownership, which we view as a source of the dominant coalition's ability to make decisions for the firm. This leads us to the following research question: *In the SME context, to what extent do certain owners' characteristics, including owner-firm eponymy, owners' social values, and owners' community ties, reflecting reputational, social, and political goals of the dominant coalition, serve as boundary conditions for the relationship between family ownership and EFP engagement?*

We test our hypotheses on a stratified random sample of 243 Dutch SMEs, both family- and nonfamily-owned, with two or more owners. Contrary to our predictions, we find no significant moderating effect for any of the three identified owners' characteristics on the relationship between family ownership and EFP engagement. However, additional analyses show a significant positive main effect of owner-firm eponymy and owners' social values on EFP engagement, indicating that reputational and social goals shape strategic choices regarding EFP engagement directly rather than as boundary conditions for the relationship between family ownership and EFP engagement. In this way, our paper addresses whether certain noneconomic goals uniquely motivate family-owned firms' EFP engagement (Sharma & Sharma, 2011). Furthermore, in post hoc analyses, we extend our proposed model beyond owners' characteristics associated with their noneconomic goals (Martin et al., 2024) by exploring whether perceptions of financial benefits (as a proxy for fulfillment of economic goals) serve as a boundary condition for the relationship between family ownership and EFP engagement. We find a positive interaction between family ownership and perceived financial benefits on EFP engagement, suggesting that family-owned firms that perceive greater financial benefits from performing environmentally friendly activities are more likely to engage in EFP than family firms that do not perceive such benefits. Thus, unlike noneconomic goals, economic goals strengthen the influence of family ownership on EFP engagement. As such, we engage in the ongoing debate in the family business literature regarding goal diversity (De Massis et al., 2018; Kotlar & De Massis, 2013; Williams et al., 2018).

Our findings have several implications for the family business, UET, and dominant coalition literature. First, whereas past family business research has ascribed certain owners' characteristics, which underpin the primacy of (reputational, social, and political) noneconomic goals as uniquely relevant to family-owned firms, other researchers argue that a subset of noneconomic goals may apply more broadly to nonfamily firms (e.g., Randolph et al., 2019). Although this runs counter to the hypothesized moderator effects, our results support the latter conclusion in the SME context. These findings lead us to reconsider the argument in the family business literature (e.g., Sharma & Sharma, 2011) that family-owned SMEs are uniquely sensitive to noneconomic goals. In so doing, our study disentangles the family effect from the ownership effect on engagement in EFP.

Second, our research model combines concepts from UET and the dominant coalition with that of the ability-willingness framework. We treat the owning group as the dominant coalition. We then identify characteristics of the owning group that address the ability and willingness of the owners to engage in EFP. Whereas family ownership is a proxy for a source of the owning group's ability to make decisions, the other three owners' characteristics are assumed to reflect the owning group's willingness to engage in EFP. This study therefore offers a novel framework for understanding the motives and actions of the owning group as a dominant coalition in SMEs with respect to EFP engagement.

Finally, our overall results, including a positive contingency effect of

perceived financial benefits on the relationship between family ownership and EFP engagement, have relevant implications for family business theorizing. Our findings best support the mixed-gamble logic, namely that, in the SME context, perceived economic benefits serve as a boundary condition for whether family-owned firms are more likely than nonfamily-owned firms to engage in EFP (Alessandri et al., 2018; Bammens et al., 2022; Cambrea et al., 2022; Cho et al., 2026; Duong et al., 2025). While our findings do not preclude the importance of certain noneconomic goals (e.g., reputational and social goals) for either family- or nonfamily-owned SMEs, future theorizing and empirical research on decision-making in family-owned SMEs should not neglect consideration of economic goals.

2. Theoretical foundations and conceptual framework

2.1. Owners as the dominant coalition in family and nonfamily SMEs

In the current research, the dominant coalition refers to the group that plays a central role in shaping the firm's strategic decisions and thus actively steers the firm's actions. In this sense, it aligns more closely with UET than with other conceptualizations of the coalition that have evolved since Cyert and March (1963) introduced the dominant coalition concept in the Behavioral Theory of the Firm (BTF) (see also Mithani & O'Brien, 2021). Consistent with BTF, UET argues that strategic choices made by the dominant coalition are based on 'bounded rationality' (Cyert & March, 1963; Hambrick, 2005; Hambrick & Mason, 1984), meaning that various characteristics of its individual members, including their experiences, values, and biases, limit or filter, and interpret information in a way that influences the coalition's decisions. In short, UET provides a linear logic in which the dominant coalition makes strategic choices based on its collective cognitions, values, and perceptions. These strategic choices, in turn, lead to firm performance outcomes (Craig et al., 2014; Hambrick & Mason, 1984).

We adapt UET to the SME context by assuming that, rather than viewing the TMT as the dominant coalition, the owning group leads strategic decision-making. In the present study, the owning group may include family members (in family-owned SMEs) or non-related owners (in nonfamily-owned SMEs). Secondly, while UET research has relied predominantly on demographic variables as proxies for a range of human capital and psychological variables, the current study focuses more narrowly on owners' characteristics that may explain the SME's ability or willingness to engage in EFP. Nevertheless, two key assumptions—that the dominant coalition influences the firm's strategic choices and that the individual characteristics of dominant coalition members are bounded-rational filters of objective information that shape those choices—derive from UET (Hambrick, 2005; Hambrick & Mason, 1984).

The shift toward viewing a firm's owners, rather than the TMT, as the dominant coalition traces back to the family business literature (e.g., Arregle et al., 2007; Chua et al., 1999; Kotlar & De Massis, 2013; Sharma & Sharma, 2011). According to Ben-Shahar et al. (2023: p. 531), "holding the majority of voting rights, a dominant coalition in a family firm is composed of family shareholders who can make the choices for the firm". Regarding owners as a dominant coalition in family firms, Ben-Shahar et al. (2023) state that their power to influence strategic decisions flows not only from their equity in the firm (i.e., hard power) but also from the relational ties among owners (i.e., soft power). We can apply similar arguments in the broader SME context, including nonfamily-owned firms. That is, the owning group in both family-owned and nonfamily-owned SMEs has the power to make key decisions. Including both types of SMEs in our study allows us to test whether certain owners' characteristics, commonly ascribed to family ownership, indeed differentiate decision-making in family- and nonfamily-owned SMEs.

Finally, while it is appropriate to consider the owning group a dominant coalition in the SME context, this is unlikely in a publicly listed firm (Kofford et al., 2026). In listed firms, owners must delegate their power by selecting a board of directors, which, in turn, oversees top management (Man Zhang & Greve, 2019; Uhlaner, 2024). Thus, in large, publicly traded firms, the TMT typically makes decisions on behalf of its owners, with those decisions also influenced by the board of directors. By contrast, in most privately held firms, especially SMEs, power typically lies directly with the owners (Ahrens, 2020; Ahrens et al., 2018; Uhlaner, 2024). Regardless of family status, SME owners are typically involved in both operational and strategic decision-making (Ahrens, 2020; Ahrens et al., 2018; Seroka-Stolka & Fijorek, 2020; Uhlaner, 2024).

2.2. Linking UET to the ability-willingness framework in the SME owning group

The ability-willingness framework in the family business literature (De Massis et al., 2014; Chrisman et al., 2015; Molly et al., 2019) provides further guidance regarding our theoretical framework by helping to identify variables that might address the willingness (and not just the ability) to engage in EFP of the owning group as a dominant coalition.

As noted previously, the dominant coalition is the group that controls the firm; that is, it has the ability to influence the firm's strategic direction. However, ability alone does not explain the direction of the dominant coalition's strategic choices. Whether or not the dominant coalition decides, for instance, to engage in EFP derives from its 'willingness' to act in a specific manner. The family business literature has explored the 'willingness' aspect by clarifying various noneconomic goals that the owning family seeks to achieve through the firm (Kotlar & De Massis, 2013; Williams et al., 2018). In their conceptual paper, Sharma and Sharma (2011), along with other family business researchers (e.g., Zellweger et al., 2013), highlight several possible characteristics and related noneconomic goals that suggest why family-owned firms may be more motivated or willing to engage in EFP than nonfamily firms, including the need to protect their family's reputation, acting in ways consistent with the family's social values, and maintaining their family's political standing in the community. While the extant literature predominantly discusses these goals in family-owned firms, they also apply to nonfamily-owned firms (Randolph et al., 2019), especially in the SME context, given the particularistic or personalized nature of control in all SMEs.

To summarize, regardless of family ownership, the owning group in the SME usually serves as the dominant coalition and can exercise discretion over strategic choices regarding EFP engagement and other strategic decisions. Furthermore, owners' willingness or motivation to make such choices can be represented by specific characteristics. While the family business literature has tended to identify such characteristics as family-related, they can also apply more broadly to nonfamily-owning groups. In the next section, we develop these assumptions for treating the other three owners' characteristics, namely owner-firm eponymy, owners' social values, and owners' community ties, as enablers for reputational, social, and political goals that can serve as boundary conditions for the family ownership effect on EFP engagement.

2.3. Owner-firm eponymy, owners' social values, and owners' community ties as boundary conditions

In this section, we present the rationale for our three hypotheses. As previously mentioned, building on UET, we assume that family ownership, as one of the owners' characteristics, influences the ability of the SME's owning group, as the SME's dominant coalition, to make certain strategic choices. Furthermore, we predict that three other owners' characteristics serve as boundary conditions or enablers of the relationship between family ownership and the firm's engagement in EFP. First, we consider owner-firm eponymy, which increases owners' visibility among stakeholders and can therefore link the firm more closely to

the owners' personal reputations. Second, we examine the owning group's social values, which motivate specific strategic choices aligned with the owners' social goals. Finally, we consider the owners' embeddedness in the local community, which may enhance their political standing and thus enable them to achieve their political goals.

Fig. 1 presents our model, which argues that while family is a source of the family-owning group's ability to decide to engage in EFP, the other three owners' characteristics foster the owning group's willingness to engage in EFP. The remainder of this section presents our arguments for each of the three hypotheses shown in Fig. 1.

2.3.1. Owner-firm eponymy as enabler of reputational goals

Our first hypothesis proposes that owner-firm eponymy strengthens the relationship between family ownership and EFP engagement. Owner-firm eponymy is a reputation-enhancing mechanism (Belenzon et al., 2020); SMEs may be more willing to engage in EFP when owners share the company name, strengthening owners' reputations in the community. Past research on family businesses suggests that firms with family owner-firm eponymy report greater pressure to 'do the right thing' to protect the firm and the owning family's reputation (Uhlaner et al., 2004). In eponymous SMEs, the owners are more likely to feel that if their firm pollutes, it can sully not only the firm's name but also its namesake.

Moreover, SME owners take pride in being recognized as good corporate citizens when their name is associated with mitigating the firm's environmental impact (Murillo & Lozano, 2006; Stewart & Gapp, 2014). Owner identifiability enhanced through owner-firm eponymy allows stakeholders to use the firm's ecological activities as information input for social evaluations of the owners, thereby creating a strong reputational link between the firm and its owners (Bammens & Hünermund, 2023). In addition, eponymous SMEs care about creating a legacy to be maintained by the owners or their descendants (Wiesner et al., 2018), which leads them to engage in EFP to assure their stakeholders that they will act responsibly (Godfrey, 2005).

Previous research on family firms has suggested that owners of eponymous family firms (that is, with the overlap of the owning family's name and firm name) may experience more visibility of the owning family with respect to company actions than in nonfamily-owned firms (Zellweger et al., 2013) and, therefore, be more apt to choose environmentally friendly strategies. Such family owner-firm eponymy may therefore serve as a symbol of the owning family's identity vis-à-vis the firm, making such family SMEs more apt to pursue reputational goals (e.g., Deephouse & Jaskiewicz, 2013; Sharma & Sharma, 2011; Zellweger et al., 2010). Others have also argued that family owner-firm eponymy reflects an intention to preserve the owning family's identity across generations (Kariyapperuma & Collins, 2021), leaving a more lasting legacy for future generations (Le Breton-Miller & Miller, 2016; Wiesner et al., 2018). We thus claim that family-owned SMEs are likely to have stronger reputational goals under the boundary condition of owner-firm eponymy than would nonfamily-owned SMEs, thereby increasing the former's motivation to engage in EFP due to a stronger overall social identification of the owning family with the firm and a stronger desire to hand the business over to future generations of family owners. We thus posit:

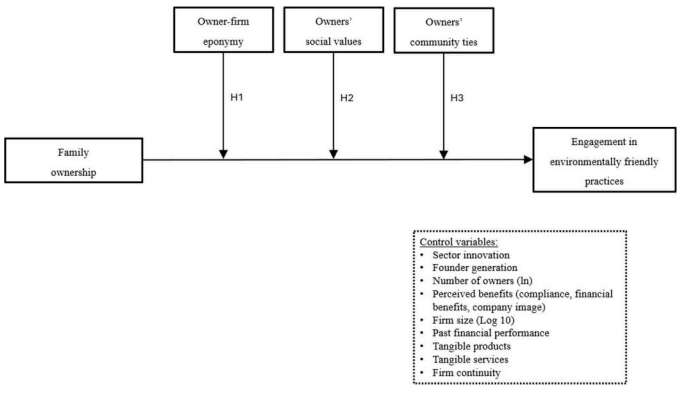


Fig. 1. Overall model and hypothesized relationships.

Hypothesis 1. When owner-firm eponymy exists, family-owned SMEs engage in EFP to a greater extent than nonfamily-owned SMEs.

2.3.2. Owners' social values as enablers of social goals

The next hypothesis proposes that social values serve as a boundary condition such that family-owned SMEs are more likely to engage in EFP than nonfamily-owned SMEs, when owners hold strong social values. According to UET, the personal values of the dominant coalition's members influence a firm's strategies (Ahrens, 2020; Hambrick & Mason, 1984; López-Pérez et al., 2017; Murillo & Lozano, 2006). Beyond reputational goals, the dominant coalition's decisions may therefore be influenced by its members' social values, which reflect owners' inclination to contribute to society at large and their sense of social responsibility (Uhlaner et al., 2007).

The family business literature argues that the owning family's values not only filter decision-making but also translate directly into the family firm's values and, thus, its behavior (Clauß et al., 2022; Rau et al., 2019). Rau et al. (2019) suggest that family owners have a strong set of relatively similar values because they enjoyed "similar upbringing, education, and experience" (p. 196). In contrast, unrelated owners in nonfamily firms grew up in different families and had different role models. Moreover, families cherish such values as fairness, respect, and trust (Blodgett et al., 2011). The dominant coalition of family owners, driven by shared social values, may be more prone to making decisions to engage in EFP (Sharma & Sharma, 2011; Tiberius et al., 2021). Thus, family business owners, as a dominant coalition, will be more motivated to make decisions guided by the social values rooted in their upbringing in the owning family. Furthermore, the values of the owners are more deeply embedded in the family-owned firms than in nonfamily-owned firms due to the longer tenure of the owning family in ownership and management (Rau et al., 2019; Ahmad et al., 2020), and hence they are presumably more strongly incorporated into SME's core values, which, in turn, influence the firm's strategies and behavior. This implies that family-owned SMEs are more likely to make strategic choices that emphasize societal benefits, such as greater engagement in EFP, because owners' values are more strongly incorporated into the SME's core values (Gorgievski et al., 2011). We thus propose that stronger social values within the owning group serve as a boundary condition that positively strengthens the relationship between family ownership and EFP engagement. Thus:

Hypothesis 2. When owners have strong social values, family-owned SMEs engage in EFP to a greater extent than nonfamily-owned SMEs.

2.3.3. Owners' community ties as enabler of political goals

Building once again on the UET notion that individual characteristics of dominant coalition members can influence their strategic decisions, and the ability-willingness framework suggesting that such characteristics can reflect the willingness of the members to make certain decisions, we consider a third owners' characteristic, that of owners' community ties, as a boundary condition for the relationship of family ownership with EFP engagement. Mani and Durand (2019) argue that family owners are more aware of the firm's impact when they live near the company premises. Moreover, people become attached to the places where they live and work because these places have special meaning to them (Manzo, 2005; Raymond et al., 2010), and therefore tend to take extra care of them (Amato et al., 2026). For family owners, their residence is also where other family members live, making them more sensitive to political goals that protect their standing. Therefore, we argue that family owners who live close to the company's premises develop stronger attachment and are more likely to care for the premises

by engaging in EFP than unrelated owners. Family owners also develop a stronger attachment to the community as they have more social connections via 'family lineage' and 'collective history' (Amato et al., 2026) than non-related owners. Moreover, family owners living near the family business enjoy the social recognition embedded in local social networks (Le Breton-Miller & Miller, 2026), in both professional and private spheres (Amato et al., 2026). This proximity also makes family owners' identities more visible to the community and, therefore, more sensitive to political goals (Zellweger et al., 2013). Thus, community ties strengthen the effect of family ownership on EFP engagement. We suggest that family owners with such ties are likely to have stronger political goals, thereby increasing their firm's EFP engagement. We thus posit:

Hypothesis 3. When owners have community ties, family-owned SMEs engage in EFP to a greater extent than nonfamily-owned SMEs.

3. Method

3.1. Sample

We used a stratified random sample of private firms registered with the Dutch Chamber of Commerce, with data collected in two waves (in 2009 and between December 2012 and January 2013). The sample was drawn proportionally according to the distribution of sectors in the total population of Dutch firms. We also stratified the sample by size, drawing firms equally from the following size classes (resulting in intentional oversampling of larger firms): 2–9; 10–49; 50–99; 100–199; 200 + employees. We excluded self-employed respondents with no employees. We used a key informant approach (Kumar et al., 1993) and administered the survey via CATI (computer-assisted telephone interview) to the firm's owner-director. The average interview length was 15 min. Of the 1500 firms that participated in the 2009 wave, 664 agreed to participate in the second wave, resulting in a response rate of 42%. We used a subsample of firms that, in addition to participating in both waves, met the following criteria: 1) complying with the OECD (2019) criterion for SME size in the first wave, i.e., a maximum of 250 employees; 2) having between 2 and 25 individual owners[4]; 3) respondents indicating they were also owners; and 4) either some or all owners from the first wave retaining ownership in the second wave of data collection. Applying these criteria and excluding missing data yielded a final usable sample of 243 firms. 54% of those firms are family-owned, meaning at least 50% of ownership is held by two or more family members. On average, the firms in the sample are medium-sized (average size: 51 employees) and established (average age: 39 years, with a median of 27 years as of 2012). However, the majority (61%) were still in the founding generation at the time of the second data collection wave. Thirty-four percent of firms sold tangible products, with the remainder split relatively evenly between tangible and intangible services. While the number of owners ranged from 2 to 17, the average firm had 3 owners, and more than 95% had 6 or fewer owners.

3.2. Measures

This section provides an overview of the variables. The Appendix presents the English translation of the wording for each item and the data collection wave.

3.2.1. Dependent variable

To measure the dependent variable, EFP engagement, we developed a comprehensive, 'formative' scale based on 15 practices, drawing on two sources: the KLD Stats. (2003) "strength" items for environmental performance and the Revell et al. (2010) environmental practices. For each item, respondents were asked whether their firm engaged in a specific practice (1 = yes; 0 = no). We based the scale on the total number of affirmative responses across the 15 items.[5] We adapted the wording of the KLD Stats items to the SME context and omitted one item ("other strengths"), as it would have been difficult to formulate a closed-ended question to cover the full range of meanings.[6] We also omitted two items from the Revell et al. (2010) scale because they do not strictly refer to EFP. In addition, we modified some wording to ensure the items were not specific to a particular sector.

3.2.2. Independent variable

First, to measure *family ownership*, respondents indicated whether two or more owners were related (1 = yes; 0 = no). Those who answered 'yes' were then asked what percentage of ownership one family held. We assigned a value of 1 when one family owns 50% or more of the firm and two or more owners are related (Classen et al., 2014). Otherwise, we assigned a value of 0 to firms where respondents indicated no family relationship between owners or where one family owned less than 50% of the shares.

3.2.3. Moderator variables

We identified three variables describing the other owners' characteristics and treated them as moderator variables to test the three hypotheses. To measure *owner-firm eponymy*, respondents were asked whether the name of one or more owners is included in the firm's name,[7] measured as a binary variable where 1 = yes and 0 = no. To measure *owners' social values*, we included two items from Uhlaner et al.'s (2007) scale. Respondents were asked whether they agreed with each statement, including, for example, "The owners of your firm feel a social responsibility." The variable was measured as the average of the responses provided. To measure *owners' community ties,* a single item asks respondents whether all or the majority of the owners live in the same municipality as the firm's premises (1 = yes, 0 = no). This item closely aligns with the place-attachment measure used by Amato et al. (2024).

3.2.4. Control variables

We included several control variables shown to predict EFP engagement in prior studies. First, we included *sector innovation*, *founder generation*, and the *number of owners (ln)* as control variables. Sector innovation reflects the frequency of innovation in a firm's industry. We use it as a control variable because innovation orientation and EFP engagement both relate to the firm's openness to newness (e.g., Uhlaner et al., 2012). Furthermore, we included founder generation as a control variable because past research suggests that pursuing family-centered goals—and thus the motivation to engage in EFP—may be stronger in later-generation firms (Le Breton-Miller & Miller, 2013). This item was coded as one if the founder(s) own the firm and zero otherwise. Uhlaner et al. (2012) find that the number of owners affects the relationship between family involvement and EFP engagement. The analyses used the natural log of the number of owners because the variable's distribution is skewed.

Building primarily on the theory of planned behavior (Ajzen, 1991; Sharma & Sharma, 2011), existing research shows that firms tend to engage in EFP motivated by perceived benefits. We controlled for three perceived benefits, including *compliance* (Bansal & Roth, 2000; Buysse &

[4] In a few cases, there might also have been an additional institutional investor, but at least two people were also owners.

[5] Although related as a formative scale, these items, nevertheless, form a highly reliable scale (Cronbach's alpha = 0.81).

[6] While Tang and Tang (2012) also adapt the KLD Stats, their wording is not specified.

[7] This question was phrased in reference to an owner rather than family name, so that respondents in both family and nonfamily-owned SMEs could answer it.

Verbeke, 2003; Ervin et al., 2013; Thomas & Lamm, 2012), *financial benefits* (Ambec & Lanoie, 2008; Aragón-Correa et al., 2008; Graafland, 2002; Uhlaner et al., 2012; Williamson et al., 2006), and *company image* (Cordano et al., 2010; Tounés et al., 2019). We adapted the question wording from Revell et al. (2010) and Gadenne et al. (2009). We based compliance on a single item. To compute the financial benefits and company image scales, we averaged the scores for the respective items.

We included *firm size (Log10)* and *past financial performance* to reflect the firm's available resources for EFP. We measured firm size by the number of employees reported in the first wave, when we first sampled firms. Because the distribution was skewed toward smaller firms, we log-transformed this variable (Log10) (Pallant, 2006). To measure past financial performance, we adapted the items of Uhlaner et al. (2007). Respondents were asked to provide a subjective profitability rating for each of the three years before the 2012 interviews (2010, 2011, and 2012). Given the lack of objective data on the financial performance of private (family) firms, a subjective measure in the SME context is a valid and commonly used method to measure this variable (see Eddleston et al., 2008).

To account for the firm's opportunities to engage in EFP, rather than using sector dummies, we grouped sectors by degree of sector tangibility (Brand & Dam, 2009; Uhlaner et al., 2012). We first grouped firms into nine sectors based on their BIK codes from the original data source used for sampling.[8] We then created three dummy variables, including *tangible products*, *tangible services,* and *intangible services*, with intangible services used as the baseline variable and therefore excluded from analyses (see Appendix for sector assignments). Supported by previous research (see Uhlaner et al., 2012), we assumed that firms in the tangible products and tangible services sectors are more likely to have opportunities to engage in EFP, as they are more likely to produce pollution and waste than firms that offer strictly intangible services. Finally, given the view that firm continuity may play a stronger role in decision-making in SMEs, we also included the control variable *firm continuity*; the respondents were asked the degree to which they agreed with the following statement: "In the long term, continuity of the firm is an important objective", with answer categories ranging from 1 =strongly disagree to 5 =strongly agree.

3.2.5. Additional variables used in robustness checks

For robustness checks, we substituted the family ownership variable with five alternative measures for family involvement, including each of the two variables used in the family ownership variable (*related owners*, and *50% family ownership*), and three other family involvement indicators not directly measuring family ownership, including *self-description as a family business* ("Would you describe your firm as a family business?", where 1 = yes; 0 = no), *family influence* ("One family has considerable influence on the business strategy", where 1 = yes; 0 = no), and finally, *related directors* where a dummy variable was coded as one when the respondent reported that there were two or more family directors, or otherwise as zero. In a second set of robustness checks, we replaced the tangible products and tangible services variables with the nine individual-sector dummy variables, using the 'other services' sector as the baseline.

3.3. Data analysis

Before testing our hypotheses, we conducted a confirmatory factor analysis (CFA) in AMOS to verify the convergent and discriminant validity of all reflective scales measured by two or more items (Hair et al., 2009), including owners' social values, financial benefits, company image, and past financial performance. Table 1 shows the factor loadings, construct reliability (CR), and average variance extracted (AVE) for each variable. Based on the various goodness-of-fit indicators, we conclude that this model fits the observed data reasonably well (χ^2 = 70.52, df = 29, $p < 0.001$, χ^2/df = 2.43, GFI = 0.950, CFI = 0.934, RMSEA = 0.074, PCLOSE = 0.037, n = 263)[9] and that the results do not require post hoc modifications.

Reviewing Table 1 for convergent and discriminant validity, the AVEs for each scale are 0.50 or greater, and the construct reliabilities are within acceptable ranges. All but one of the factor loadings meet or exceed the 0.50 cutoff (Hair et al., 2009). Construct reliability ranges from 0.65 to 0.79. While only two of the four construct reliabilities exceed the recommended 0.70 cutoff (Hair et al., 2009), other tests show adequate convergent validity for each construct. The low values for maximum shared variance (MSV) and average shared variance (ASV) support the conclusion of adequate discriminant validity for all variables, as does the observation that the square root of AVE (shown in Table 2) is higher than any of the inter-construct correlations (Hair et al., 2009). Furthermore, the estimated correlations between the latent variables range from −0.01 to 0.42 (with the highest intercorrelation between company image and financial benefit) and are below the recommended cutoff of +/-0.70 (Pallant, 2006). In addition, combining the company image and financial benefit items into a single scale resulted in a worse-fitting model. Overall, we determined that the CFA provides a reasonable fit to the data, and the proposed scales are suitable for further analysis.

Since we measured most variables using a cross-sectional single-respondent survey, we applied Harman's single-factor test (Harman, 1976) to assess common-method bias (Podsakoff et al., 2012). The results of the exploratory factor analysis conducted on the multi-item reflective variables, including owners' social values, company image, financial benefits, and past financial performance, show that in the unrotated factor solution, the largest factor explains 26.09% of the variance, well below the recommended 50% cutoff. Furthermore, we introduced a common latent factor in the CFA related to all items (Podsakoff et al., 2012). The model fit is still satisfactory (χ^2 = 32.83, df = 19, $p < 0.05$, χ^2/df = 1.73, GFI = 0.977, CFI = 0.978, RMSEA = 0.053, PCLOSE = 0.406). Based on these analyses, we concluded that the data did not suffer from common method bias.

Since we derived the dependent variable from count data censored at zero, and the data did not fit a Poisson distribution, we selected a negative binomial generalized linear model with maximum likelihood estimation (MLE) as the appropriate approach to test our hypotheses. To test for multicollinearity among the variables, we used ordinary least squares (OLS) regression to calculate variance inflation factor (VIF) scores. To test the effect of our moderators, we created an interaction term between the independent variable and each moderator (independent variable*moderator). We used the Wald Chi-Square test to determine the statistical significance of all main and interaction effects (Hilbe, 2011; Long & Freese, 2014). Finally, we identified one outlier using the Mahalanobis distance criterion (Pallant, 2006) and deleted it from the final sample ($p < 0.001$ cutoff).

4. Results

4.1. Descriptive statistics

Table 2 presents the zero-order correlation coefficients and the means and standard deviations for each variable. Zero-order correlation coefficients indicate a significant, positive relationship ($p < 0.05$)

[8] The Dutch Chamber of Commerce uses BIK-codes to classify businesses according to their main activities.

[9] Although ideally the chi-square test should not be statistically significant for the best model fit in AMOS, significant *p*-values can be expected in larger samples (N > 250) and with more than 12 observed variables (Hair et al., 2009). Since the analysis was conducted on a sample of 263 cases and included 10 observed variables, we expected the chi-square difference test to be significant.

Table 1
Confirmatory factor analysis.

Construct	CR	AVE	MSV	ASV	Measurement item	Loading
Owners' social values	0.65	0.51	0.07	0.03	Owners feel a social responsibility	0.47
					Owners want to give something back to society	0.89
Financial benefits[a]	0.67	0.50	0.36	0.13	… reduce their costs	0.70
					… obtain substantial financial advantages	0.71
Company image[a]	0.75	0.50	0.36	0.14	…significantly improve their reputation	0.78
					…better fulfill their moral obligations	0.71
					…better meet customer expectations	0.63
Past financial performance	0.79	0.56	0.00	0.00	Profitability in 2010	0.64
					Profitability in 2011	0.90
					Profitability in 2012	0.67

Notes. N = 263. CR = Construct Reliability; AVE = Average Variance Extracted; MSV = Maximum Shared Variance; ASV = Average Shared Variance; [a] Each question begins with "By performing environmentally friendly activities, companies in my industry can…"

between EFP engagement and each of the following variables: owners' social values, sector innovation, compliance, financial benefits, company image, firm size (Log10), and tangible products. The bottom row of Table 2 reports the VIF score from an ordinary least squares regression. All VIF scores are below 2, indicating a low likelihood of multicollinearity (Hair et al., 2009).

4.2. Multiple regression tests of the hypotheses

Table 3 shows the results of the negative binomial regression analysis. Model 1 presents the results of control variables only. Model 2 presents the model including the main effects of the independent, moderator, and control variables. Models 3, 4, and 5 display the results for H1, H2, and H3, respectively. As shown in Models 3–5, none of the hypotheses are supported.

4.3. Additional results

4.3.1. Reviewing main effects of variables on EFP engagement

To better develop and test our conceptual model, it is helpful to review the main effects of the independent, moderator, and control variables (see Table 3, Model 2), although we did not hypothesize them. Our results indicate that neither family ownership nor owners' community ties is related to EFP engagement (respectively, Exp (B) = 0.94, non-significant; and Exp (B) = 1.00, non-significant) (see Model 2). However, both owner-firm eponymy and owners' social values positively and significantly predict EFP engagement (respectively, Exp (B) = 1.16, $p < 0.01$; and Exp (B) = 1.11, $p < 0.05$). Reviewing results further (see Model 2) we confirm findings of positive effects on EFP engagement for the following control variables, sector innovation (Exp (B) = 1.08, $p < 0.001$), compliance (Exp (B) = 1.09, $p < 0.01$), financial benefits (Exp (B) = 1.08, $p < 0.05$), company image (Exp (B) = 1.13, $p < 0.01$), firm size (Log10) (Exp (B) = 1.14, $p < 0.01$), tangible products (Exp (B) = 1.28, $p < 0.001$) and tangible services (Exp (B) = 1.16, $p < 0.05$). In addition, we found a positive and significant relationship between founder generation and EFP engagement (Exp (B) = 1.13, $p < 0.05$) and a positive trend between firm continuity and EFP engagement (Exp (B) = 1.09, $p < 0.10$).

4.3.2. Robustness checks

We conducted two robustness checks. First, we retested our three hypotheses, substituting the family ownership variable in each case with five alternative family involvement measures: related owners, 50% family ownership, self-description as a family business, family influence on strategy, and related directors. Neither the main effects of those variables nor their interactions with owner-firm eponymy, owners' social values, or owners' community ties were significant. We also replaced both tangible products and tangible services with eight sector dummies (using 'other services'-sector as the baseline variable). While none of the sector dummies were significant, the remaining results stayed the same.[10]

4.3.3. Post hoc analyses

Although we do not hypothesize economic goals as a boundary condition in our model, we acknowledge the ongoing debate about economic versus noneconomic goals in family business research (Kotlar & De Massis, 2013). This includes the formation of these goals (e.g., Dawson, 2025) and the effect of economic versus noneconomic goals on decision-making, such as slack resource deployment (De Massis et al., 2018), diversification (Doucet et al., 2023), and, more broadly, strategic change (Skorodziyevskiy et al., 2024b). Hence, we indirectly tested the importance of economic goals as a boundary condition by examining interaction effects between family ownership and financial benefits on EFP engagement. The measure of financial benefits serves as a social comparison (as it asks whether industry peers benefit from EFP in terms of cost reduction or substantial financial benefits) against which the dominant coalition can evaluate potential gains and losses in financial wealth (Diaz-Moriana et al., 2024). Our results showed a significant positive moderating effect of financial benefits on the relationship between family ownership and EFP engagement (Exp (B) = 1.13, $p < 0.05$), as shown in Table 3, Model 6. Furthermore, as shown in Fig. 2, we found no difference in EFP engagement between the low- and high-financial-benefit conditions for nonfamily-owned SMEs. However, for family-owned firms, our results showed a greater likelihood of EFP engagement when financial benefits are high than when they are low.

We also used the same five family business alternative variables as in the previous robustness checks to test the robustness of the post hoc analysis of an interaction effect with financial benefits (see Supplement, Table 1). While the interaction effect with financial benefits remained significant for the two components of family ownership, related-owners and 50% family-ownership measures, when separately tested, the interactions with self-description as a family business and related directors were not significant. The interaction effect for family influence (which may overlap family ownership, in that it reflects the influence of the dominant coalition), was a positive trend ($p < .10$). These results confirm that statistically significant effects found were due to family ownership, per se, and not because of other aspects of family involvement.

5. Discussion and conclusion

Contrary to our predictions, the three hypotheses regarding the moderating effects of owner-firm eponymy, owners' social values, and owners' community ties on the relationship between family ownership and EFP engagement are not supported. Based on these results, we conclude that a dominant coalition of family owners is no more willing

[10] Details regarding the analyses for robustness checks are available upon request from the corresponding author.

Table 2
Correlations for the variables and assessment of discriminant validity.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. EFP Engagement	–															
2. Family ownership	0.01	–														
3. Owner-firm eponymy	0.11$^{\#}$	0.37***	–													
4. Owners' social values	0.23***	-0.05	-0.10	–												
5. Owners' community ties	-0.06	0.36***	0.22***	-0.08	–											
6. Sector innovation	0.25***	0.01	-0.01	0.03	0.03	–										
7. Founder generation	0.05	-0.18**	-0.28***	0.02	-0.05	0.02	–									
8. Number of owners (ln)[a]	0.00	-0.22***	-0.18**	-0.01	-0.24***	-0.02	-0.04	–								
9. Compliance	0.41***	0.12$^{\#}$	0.19**	0.11$^{\#}$	0.05	0.08***	-0.09	-0.07	–							
10. Financial benefits	0.32***	0.06	0.01	0.12$^{\#}$	-0.06	0.21***	0.04	-0.04	0.28***	_[x]						
11. Company image	0.42***	0.05	-0.04	0.19**	-0.08	0.06	0.04	0.04	0.51***	0.42***	–					
12. Firm size (Log10)[a]	0.26***	-0.13*	-0.08	0.14*	-0.31***	0.01	-0.21***	0.35***	0.10	0.01	0.24***	–				
13. Past financial performance	-0.01	-0.08	0.07	0.04	-0.09	-0.03	0.01	0.01	-0.01	-0.01	0.01	0.13*	–			
14. Tangible products	0.25***	0.07	0.11$^{\#}$	0.03	0.11	0.10	-0.05	-0.10	0.21***	0.01	0.05	0.09	-0.08	–		
15. Tangible services	0.03	0.19**	0.09	-0.08	0.05	-0.04	-0.00	-0.17**	0.05	0.04	0.12$^{\#}$	-0.08	0.07	-0.49***	–	
16. Firm continuity	0.08	-0.14*	-0.10	0.12$^{\#}$	-0.21***	-0.04	-0.06	0.09	-0.08	-0.02	0.02	0.19**	-0.06	-0.10	-0.02	–
Mean	7.70	0.54	0.50	4.11	0.48	3.42	0.61	3.10	3.22	2.85	3.51	50.78	5.17	0.34	0.32	4.63
SD	3.59	0.50	0.50	0.55	0.50	1.09	0.49	2.02	1.04	0.90	0.80	56.02	1.08	0.48	0.47	0.60
Variance Inflation Factor		1.38	1.35	1.09	1.32	1.07	1.20	1.30	1.54	1.31	1.72	1.48	1.06	1.59	1.57	1.11
Square root of AVE				0.71						0.71	0.71		0.75			

Notes. N = 243. [a] The mean and standard deviation of firm size (Log10) and number of owners (ln) are reported for these variables' original values. $^{\#}p < .10$; $^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

than a dominant coalition of unrelated owners to engage in EFP when reputational, social, or political noneconomic goals are present. Moreover, although we did not hypothesize it, the main relationship between family ownership and EFP engagement is not significant, consistent with the ambiguous results in prior research (Graafland, 2020; Lorenzen et al., 2024; Miroshnychenko et al., 2025). Furthermore, although also not hypothesized, additional analyses show that owner-firm eponymy and owners' social values directly influence EFP engagement. These results suggest that these characteristics drive the dominant coalition's willingness to engage in EFP regardless of family ownership. Finally, in the post hoc test, where we extend our model beyond the role of noneconomic goals to include perceptions of the economic benefits of EFP engagement, we find a significant positive interaction between family ownership and financial benefits in predicting EFP engagement.

In the remainder of this section, we first provide our interpretation of the findings. We then discuss the theoretical implications of our study, offering a revised conceptual model and theoretical contributions. The subsequent subsections cover practical implications, limitations, and directions for future research, and finally, concluding remarks.

5.1. Interpretation of findings

Our study proposes and tests a theoretical model in the SME context that considers certain owners' characteristics, namely their ability and willingness, as the dominant coalition, to influence strategic decisions, such as EFP engagement. However, our findings indicate that one cannot assume that the ability granted by having the family owning group as the dominant coalition increases the likelihood of engagement in EFP, nor that noneconomic goals, including the owners' reputation, advancement of their social values, or political status in the community they are attached to, serve as boundary conditions to increase the impact of family ownership on such engagement. Our results suggest instead that the first two of these noneconomic goals influence EFP engagement directly, without interacting with family ownership. While the extant literature predominantly discusses these goals in family-owned firms, our results suggest that these effects also apply to nonfamily-owned SMEs. These results might be explained by the particularistic or personalized nature of control in both family- and nonfamily-owned SMEs relative to institutionalized control (Sharma & Sharma, 2011). The latter form of control is likely more common in large, publicly listed firms (Kofford et al., 2026), especially where a large block of family owners is lacking, since in such firms, the owners select a board of directors, which – in turn – appoints managers to make key decisions, in place of individual owners. These differences in firm structure may help explain inconsistent results in previous research on the relationship between family ownership and EFP engagement. In sum, we find that, regardless of family or nonfamily ownership, the dominant coalition's willingness to safeguard certain noneconomic goals, such as owners' reputation and social values, can drive SMEs' EFP engagement. These findings are furthermore consistent with the UET principle of bounded rationality, namely that the values and beliefs of dominant coalition members can serve as motivators or triggers for decision-making (Hambrick, 2005; Hambrick & Mason, 1984; Mithani & O'Brien, 2021).

Perceptions of financial benefits, as a proxy for the importance of economic goals, also appear to accentuate rather than diminish engagement in EFP in family-owned SMEs, and provide a key difference in the likelihood of EFP engagement of family and nonfamily firms. A larger portion of a single family's wealth may be tied up in the SME than would be the case in the average nonfamily SME. For instance, in a nonfamily-owned firm, a spouse or adult child may work for another firm, reducing the risk of having all family income or assets tied to the same company.

Thus, rather than noneconomic goals, family-owned SMEs may prioritize safeguarding the family's economic goals, offering further insight into the role of economic versus noneconomic goals that may be unique to family firms (Kotlar & De Massis, 2013; Williams et al., 2018). This

Table 3
Negative binomial regression model for predicting EFP engagement.

	Model 1 Control variables	**Model 2** Main effects	**Model 3** Model 2 + FAM*OFE	**Model 4** Model 2 + FAM*OSV	**Model 5** Model 2 + FAM*OCT	**Model 6** Model 2 + FAM*FIN
Control variables						
Sector innovation	1.08***	1.08***	1.09***	1.08***	1.08***	1.09***
Founder generation[a]	1.11*	1.13*	1.13*	1.13*	1.13*	1.13*
Number of owners (ln)	0.99	1.02	1.02	1.02	1.02	1.02
Compliance	1.11***	1.09**	1.09**	1.09**	1.09**	1.08**
Financial benefits (FIN)	1.08**	1.08*	1.08*	1.08*	1.08*	1.00
Company image	1.12**	1.13**	1.13**	1.13**	1.13**	1.13**
Firm size (Log10)	1.15***	1.14**	1.14**	1.14**	1.14**	1.15**
Past financial performance	0.99	0.98	0.98	0.98	0.98	0.98
Tangible products	1.28***	1.28***	1.28***	1.28***	1.28***	1.26***
Tangible services	1.15*	1.16*	1.16*	1.16*	1.16*	1.16*
Firm continuity	1.09*	1.09#	1.09#	1.09#	1.09*	1.09#
Independent/Moderator variables						
Family ownership (FAM)[a]		0.94	0.95	1.03	0.98	0.66*
Owner-firm eponymy (OFE)[a]		1.16**	1.18*	1.17**	1.17**	1.17**
Owners' social values (OSV)		1.11*	1.11*	1.12	1.11*	1.11*
Owners' community ties (OCT)[a]		1.00	1.00	1.00	1.06	1.00
Interaction terms						
Family ownership*Owner-firm eponymy			0.97			
Family ownership*Owners' social values				0.98		
Family ownership*Owners' community ties					0.91	
Family ownership*Financial benefits						1.13*
Likelihood Ratio χ^2/df	113***/11	125***/15	125***/16	125***/16	126***/16	130***/16
Akaike's Info. Criterion (AIC)/ ΔAIC[b]	1237	1233	1235/ + 2	1235/ + 2	1234/ + 1	1230/-3
Finite Sample Corrected Akaike (AICC)	1239	1236	1238	1238	1237	1233
Bayesian Information Criterion (BIC)	1282	1293	1298	1298	1297	1293

Notes. N = 243. Values are IRR [Exp(B)]. [a] Treated as a dummy variable.; [b] Change in AIC compared with the main effects model (Model 2). #$p < .10$; *$p < .05$; **$p < .01$; ***$p < .001$.

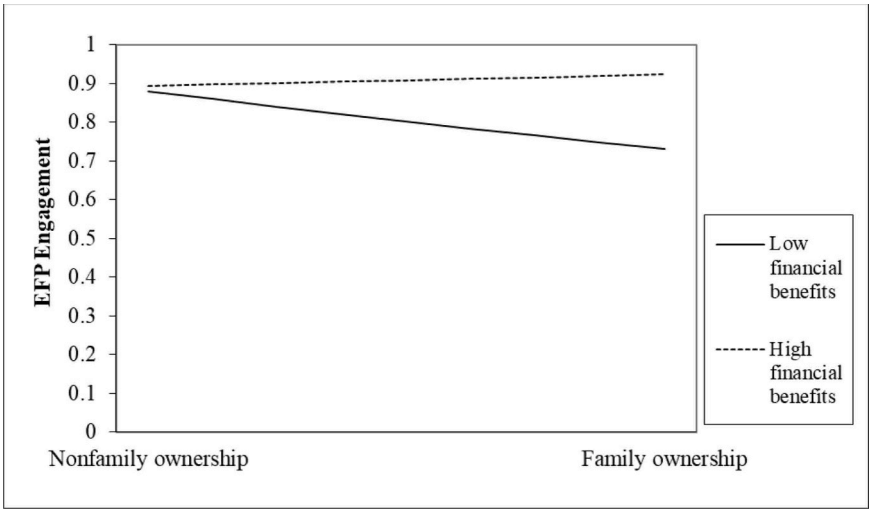


Fig. 2. Moderating effect of financial benefits on the family ownership-EFP engagement relationship.

finding runs counter to assumptions held by many family business researchers that noneconomic goals may outweigh financial goals in family-owned SMEs (Gómez-Mejía et al., 2007; Wiseman & Gomez-Mejia, 1998; Yu et al., 2021).[11] By contrast, our findings provide corroborating evidence for the mixed-gamble logic, which considers the financial benefits as a contingency against which the family-dominant coalition weighs likely gains and losses of financial wealth (Alessandri et al., 2018; Bammens et al., 2022; Cambrea et al., 2022; Cho et al., 2026; Duong et al., 2025). We thus conclude that in family-owned firms, economic goals can be as important as, or even more important than, those in nonfamily-owned firms. Consistent with the condition set in the current study for defining family ownership, multiple family members are likely to depend financially on the business (Sciascia et al., 2015). Therefore, economic considerations become more, not less, important in such firms, since a larger proportion of family wealth is likely to be affected by financial consequences than in nonfamily-owned SMEs.

5.2. Theoretical implications and a revised conceptual model

Our findings have several implications for the family business, UET, and broader dominant coalition literature. First, whereas past family business research has ascribed certain owners' characteristics, which

[11] Note that these assumptions are also made in the behavioral agency model (Wiseman & Gomez-Mejia, 1998) and socioemotional wealth literature (Berrone et al., 2010; Gómez-Mejía et al., 2007) although we omit mention in the text since we do not test all aspects of their assumptions.

underpin the primacy of (reputational, social, and political) noneconomic goals as uniquely relevant to family-owned firms (Sharma & Sharma, 2011), other researchers argue that a subset of noneconomic goals may also apply to nonfamily firms (Randolph et al., 2019), disentangling the family effect from the ownership effect. The current study allows for a direct examination of family- and nonfamily-owned SMEs to see whether certain owner characteristics, including owner-firm eponymy, owners' social values, and community ties, uniquely enhance EFP engagement in family-owned firms or SMEs more generally. Though not what we initially hypothesized, our results support the conclusion that, in the SME context, owner-firm eponymy and owners' social values, which address owners' reputational and social goals, respectively, enhance EFP engagement in both family- and nonfamily-owned firms. In sum, such findings lead us to reconsider the validity of the argument that family-owned SMEs are uniquely sensitive to noneconomic goals.

Relatedly, our findings bring to the fore the idea of the owning group as a dominant coalition in an SME's decision-making and behavior, and while consistent with bounded rationality assumptions of UET (Hambrick, 2005; Hambrick & Mason, 1984; Mithani & O'Brien, 2021), they extend UET's application beyond the management team or board of directors in the SME context. Family business researchers have long recognized the importance of the owning family in family firms (Ben-Shahar et al., 2023). However, the current study's clear contribution is to extend this to viewing owners and their characteristics more generally as predictors of strategic choice in the SME context.

Third, our model contributes to the ability-willingness debate (De Massis et al., 2014; Molly et al., 2019; Skorodziyevskiy et al., 2024a). Our perspective, which merges concepts from UET and the dominant coalition, provides a means to evaluate the relevant characteristics of the owning group that address the owners' ability and willingness to engage in EFP. The values, beliefs, and schemas of the owning group are reflected in the noneconomic (i.e., reputational, social, and political) goals driving SMEs' actions, according to a diverse range of owners' characteristics. In contrast, family ownership serves as a source of the dominant coalition's ability to act.

Finally, our results, which reveal a positive contingency effect of perceived financial benefits on the relationship between family ownership and EFP engagement, also have relevant implications for family business theorizing. Contrary to assumptions that draw on the behavioral agency model (Wiseman & Gomez-Mejia, 1998) postulating the primacy of noneconomic goals centered on family interests, going over and above reputational, social, and political goals, the significant interaction effect of financial benefits and family ownership on EFP engagement, together with the lack of either a main effect of family ownership or interaction effects of family ownership with other owners' characteristics, raises questions regarding the assumption that certain noneconomic goals are more determinant of strategic choices in family-owned SMEs. Rather than considering that affective and emotional endowment outweighs economic considerations for family-owned firms (e.g., Bammens & Hünermund, 2020, 2023; Berrone et al., 2010; Duong et al., 2025), or stated another way, that decisions in family-owned firms are driven by the aversion to losing nonfinancial wealth (Gómez-Mejía & Herrero, 2022), we find clearer support for the mixed-gamble logic, which weigh both economic and noneconomic goals at the same time (Alessandri et al., 2018; Cambrea et al., 2022; Gómez-Mejía et al., 2018). In line with studies showing a lack of normative engagement in EFP (i.e., commitment to the natural environment because it is the right thing to do) when the family is highly involved in the firm's decision-making (Ernst et al., 2022), we advance that family-owned SMEs may be even more concerned than their nonfamily counterparts with potential financial benefits or losses by engaging in EFP. Hence, under the condition of higher perceived financial benefits, a proxy for the importance of the firm's economic goals, family-owned firms are more prone to engage in EFP than nonfamily-owned firms, since such goals can affect not only current family members but also future generations. This stems from the notion that, in the SME context, the family-owning group relies on the firm as a primary source of income (Bertrand & Schoar, 2006; Cruz & Justo, 2017; Sciascia et al., 2015).

Altogether, our findings and their theoretical implications can be depicted in an overarching framework that adapts UET and the ability-willingness framework to the SME context (Fig. 3). Drawing on the concepts of bounded rationality and the dominant coalition from UET, we first note that certain owners' characteristics may accentuate or diminish the importance of the owning group's economic and noneconomic goals, which, in turn, can influence their decision-making. Building further on the ability-willingness framework in the family business literature, these characteristics can be classified, first, according to the source of discretion or 'ability' of the owning group to make decisions, and second, according to aspects which may highlight the motivation or 'willingness' of the owning group to make certain types of decisions. We limit Fig. 3 to areas addressed in the current study, but note that future research may expand on these areas, for instance, by considering alternative groups as comprising the dominant coalition (e.g., a mix of family owners and nonowners, including next-generation members who may currently serve as managers). One may also expand the model to incorporate additional economic and noneconomic goals, including those specific to the family context (such as the ability to employ family members, family harmony, and assurance of a family legacy). Still, we include in the presented model only those that apply to both family- and nonfamily-owned firms. Finally, while we restrict the model to our dependent variable, EFP engagement, future research might expand it to other indicators of corporate social responsibility, or other categories of strategic decisions, including internationalization, diversification, or radical innovation. Finally, future studies might consider performance outcomes (e.g., environmental impact or performance) resulting from these key decisions.

5.3. Practical implications

Our study also offers practical implications. Based on our results, the strong positive association between owner-firm eponymy and EFP engagement suggests that reputation may be an important noneconomic driver in the SME context. Beyond owner-firm eponymy, other means could increase the visibility of SMEs engaging in EFP. For instance, local and regional groups could sponsor an environmental stewardship award program to recognize positive environmental engagement efforts more visibly. Moreover, our study reminds practitioners to consider owners' social values as a potential driver of EFP engagement. As such, efforts to foster pro-environmental awareness from an early age could help shape attitudes that might influence the next generation of SME owners and entrepreneurs to take more positive action for the environment. Finally, based on our post hoc results, given the importance of the financial benefits of EFP engagement, especially for family-owned SMEs, government agencies and nonprofit organizations aiming to encourage more engagement in EFP may want to consider financial incentives for SMEs voluntarily initiating programs exceeding regulatory requirements, since financial gain is an important consideration, especially for family-owned firms.

5.4. Limitations and directions for future research

Beyond our study's contributions, we acknowledge limitations that suggest directions for future research. First, future studies should evaluate and improve measurement of the dependent variable. Although the scale we used is reasonably reliable, it relies on self-reports, which may introduce a positive reporting bias. Scholars might consider other, more objective ways to measure EFP engagement that would allow finer-grained analyses of whether the antecedents we examined have a similar effect on outcomes versus espoused practices. However, such SME studies require readily available, comparable data, which may require limiting the sample to a specific sector. In addition, such data



Fig. 3. A revised framework for predicting engagement in environmentally friendly practices in the SME context.

may inadvertently bias the study toward more heavily monitored or regulated sectors.

Second, while our findings generally align with recent meta-analyses of studies on family ownership and environmentally sustainable practices and performance (Lorenzen et al., 2024; Miroshnychenko et al., 2022), we must avoid overgeneralizing. In particular, researchers may obtain different results depending on several factors, including how EFP engagement is defined and measured, sampling choices (SMEs versus large private or publicly listed firms), and how family ownership or other owners' characteristics are defined and measured. As Déniz and Suárez (2005) discuss, subgroups of family SMEs may differ substantially in their orientation toward corporate social responsibility, including the firm's impact on environmental sustainability. Regarding owner-firm eponymy, future research could benefit from more fine-grained measures, such as the number of owners' last names included in the firm's name and whether those owners are family members. Moreover, we acknowledge that the measure of owners' social values, though it explicitly asks about group-level information, cannot control for whether the respondent's responses reflect only their own values or the collective values of the owning group. Future studies could adopt a multi-respondent survey design (e.g., Hu et al., 2022) to grasp common and divergent values within the dominant coalition.

Relatedly, future research could examine family firm heterogeneity, for example, looking at dominant coalition structure, including family members who perhaps are not yet owners but are part of the next generation (Man Zhang & Greve, 2019) and family ownership dispersion (De Massis et al., 2013), both within the owning family group and between family and nonfamily members, to understand and explain the variation in EFP engagement across family-owned firms (e.g., Samara et al., 2018). While we tested for some owners' characteristics, future studies focused on family firm heterogeneity could include additional family firm characteristics, such as the proportion of family wealth invested in the business (Sciascia et al., 2015) and the importance of family-centered noneconomic goals (e.g., family identification, family control, or family harmony; see Becerra et al., 2020), to enhance our understanding of the role of family ownership versus other family firm characteristics on EFP engagement.

Third, related to our lack of significant findings for owners' community ties, both as a main effect and interactive term with family ownership, we acknowledge that researchers could measure owners' community ties in alternative ways, such as the percentage of revenues derived from transactions in local markets (e.g., Dekker & Hasso, 2016), the percentage of suppliers, employees, and customers from the local community, the duration of living in the same municipality as the location of the firm (Kasarda & Janowitz, 1974), owners' place attachment (Amato et al., 2025; Raymond et al., 2010), or the physical distance between owners' homes and the firm (Bammens & Hünermund, 2020). Notably, however, using the last measure, which is more fine-grained than the one in our research, Bammens and Hünermund (2020) also find no significant effect of community ties on EFP engagement. Nevertheless, future studies could reexamine whether different measures of owners' community ties yield different results. Future research could also examine other owners' characteristics (e.g., average age, gender mix, work experience, and educational background) and the owning group's family characteristics (household composition, other relatives' professions; see Aldrich et al., 2021). Other antecedents could include stakeholder management (Buysse & Verbeke, 2003) and stakeholder integration (Alt et al., 2015; Delgado-Ceballos et al., 2012), which complement owners' characteristics.

Fourth, our study is based on the Dutch context, characterized by a consensus culture coupled with strong public support for strict regulations to protect the environment (Spence et al., 2000) and intrinsic motives for firms to do so (Uhlaner et al., 2012), which might substantially differ from other countries (e.g., Anglo-Saxon). Thus, further research should confirm whether similar variables predict EFP engagement in other countries. In addition, since this study's data were collected, many actions have been taken nationally and internationally to address climate change and protect the natural environment, significantly increasing public and business awareness of environmental sustainability issues in the Netherlands. Exemplary is the Paris Agreement (United Nations, 2015), in which 196 countries committed to preventing further climate change and implementing national strategies to limit greenhouse gas emissions, and more recently, the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow, Scotland, in 2021. These strategies and increased awareness of environmental sustainability issues likely increased firms' engagement in EFP. Future research could examine whether firms' EFP engagement reflects these developments in climate change at the national and international levels.[12]

5.5. *Concluding remarks*

This study predicted the prevalence of EFP engagement in SMEs, viewing the firm owners as the dominant coalition. In line with Upper Echelons Theory, coupled with the ability-willingness framework to identify bounded-rational characteristics of owners, we expected that specific owners' characteristics would act as boundary conditions to explain variation in EFP engagement amongst family-owned and nonfamily-owned SMEs. Specifically, we examined whether family ownership predicts EFP engagement in interaction with other owners' characteristics, such as owner-firm eponymy, social values, and community ties, to assess the dominant coalition's willingness to select pro-environmental strategies. While owners, as the dominant coalition, are key to differentiating SME engagement in EFP, our findings suggest that factors other than family ownership matter more, especially owner-firm eponymy and owners' social values. That said, positive perceptions of the financial benefits of EFP engagement were an important boundary condition for family-owned SMEs, consistent with the mixed-gamble logic. Our study concludes that, in the SME context, we should look beyond family ownership to other owners' characteristics that may

[12] It should, however, be noted that at the time of this writing, some countries have started to backpedal from earlier commitments to climate change efforts or even backed out altogether, which could also affect research results on the topic at a particular point in time.

directly or interactively influence decision-making on environmental sustainability, while continuing to refine our approach to studying the dominant coalition.

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CRediT authorship contribution statement

Lorraine M. Uhlaner: Writing – review & editing, Writing – original draft, Validation, Project administration, Methodology, Investigation, Funding acquisition, Formal analysis, Data curation, Conceptualization. **Giovanna Campopiano:** Writing – review & editing, Writing – original draft, Conceptualization. **Marta M. Berent-Braun:** Writing – review & editing, Writing – original draft, Validation, Methodology, Investigation, Funding acquisition, Formal analysis, Data curation, Conceptualization.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Appendix

VARIABLES	QUESTIONS	SCALE
Dependent Variable		
Engagement in environmentally friendly practices (EFP) (2012) Count of affirmative responses to 15 items	*KLD 1 - The company derives part or all of its revenue from services or products with environmental benefits (43.3% yes)* *KLD 2 - The company has a pollution prevention program, for example, to reduce emissions (58.2% yes)* *KLD 3 - The company is a user of recycled materials (e.g., recycled paper) (63.0% yes)* *KLD 4 - The company uses renewable energy and/or biofuels (renewable energy is solar and/or wind) (21.8% yes)* *KLD 5 - The company communicates its environmentally friendly practices to customers, staff, and/or suppliers (46.5% yes)* *KLD 6 - The company has been upgraded in recent years to be more environmentally friendly (e.g., purchasing more fuel-efficient vehicles, converting to LED lights) (60.4% yes)* *Revell 1 - The company recycles its own waste (e.g., paper, old computers) (44.3% yes)* *Revell 2—This company has sustainable office practices (e.g., adjust printer settings, replace paper, Christmas cards with an email) (78.3% yes)* *Revell 3 - The company is energy efficient (e.g., by turning down unnecessary heating, turning off lights, and computers) (74.8.3% yes)* *Revell 4 - The company uses environmentally friendly products (e.g., eco-cleaning products, green suppliers) (75.0% yes)* *Revell 5 - The company reduces carbon emissions (e.g., by the use of conference calls, by promoting alternative transportation for staff, such as bicycles and electric cars) (52.7% yes)* *Revell 7—The company has a clear environmental policy with targets set up (e.g., monitoring waste) (37.8% yes)* *Revell 8 - The company has employment policies that are environmentally friendly (e.g., flexible working hours, working from home) (61.6% yes)* *Revell 9 - The company is involved in community initiatives to help the environment (e.g., education in schools) (39.6% yes)* *Revell 11 - The company is developing products or services with environmental benefits (31.3% yes)*	1: yes 0: no
Independent variable		
Family ownership (2012)	*Both of the following criteria must be met to classify as family ownership:* *Related owners: There is a family relationship between two or more of the owners of the company* *50% family ownership: At least 50% ownership in the firm by one family*	1 = family ownership 0 = nonfamily ownership
Moderator variables		
Owner-firm eponymy (2012)	*The name of one or more of the owners is included in the company name*	1: yes 0: no
Owners' social values (2012)	*The owners of your business feel a social responsibility* *The owners of your business want to give something back to society*	1: completely disagree 2: disagree 3: neutral 4: agree 5: completely agree
Owners' community ties (2012)	*All or the majority of the owners live in the same municipality as the firm's location*	1: yes 0: no
Control variables		
Compliance (2012)	*By performing environmentally friendly activities, companies in my industry can better fulfill legislation or regulation requirements.*	1: completely disagree 2: disagree 3: neutral 4: agree 5: completely agree

(*continued on next page*)

(*continued*)

VARIABLES	QUESTIONS	SCALE
Financial benefits (2012)	*By performing environmentally friendly activities, companies in my industry can:* *…reduce their costs* *… obtain substantial financial advantages*	1: completely disagree 2: disagree 3: neutral 4: agree 5: completely agree
Company image (2012)	*By performing environmentally friendly activities, companies in my industry can:* *…significantly improve their reputation* *…better fulfill their moral obligations* *…better meet customer expectations*	1: completely disagree 2: disagree 3: neutral 4: agree 5: completely agree
Firm size (Log10) (2009)	*How many individuals, including you and your family, are currently working for your company in the Netherlands and overseas?*	The number was filled in and converted to Log10.
Past financial performance (2012)	*How would you describe the profitability of your business in 2010?* *How would you describe the profitability of your business in 2011?* *How would you describe the profitability of your business in 2012?*	1: very unprofitable 2: unprofitable 3: somewhat unprofitable 4: break-even 5: somewhat profitable 6: profitable 7: very profitable
Tangible products (2009)	*Sector classification based on the BIC code for each company:* *Tangible products: manufacturing, construction, and agriculture sectors*	1 = tangible products 0 = otherwise
Tangible services (2009)	*Sector classification based on the BIC code for each company:* *Tangible services: transport and communication, trade, catering, and hospitality sectors*	1 = tangible services 0 = otherwise
Intangible services (2009)	*Sector classification based on the BIC code for each company:* *Intangible services: financial services, business services, and other service sectors*	1 = intangible services 0 = otherwise
Sector innovation (2009)	*Innovations are constantly coming out in your industry*	1: completely disagree 2: disagree 3: neutral 4: agree 5: completely agree
Founder generation (2012)	*Generation of the owners*	1: the firm is in the hands of the founder (s) 0: otherwise
Number of owners (ln) (2009)	*How many individual owners does this firm have?*	The number was filled in and converted to the natural logarithm.
Firm continuity (2009)	*In the long term, continuity of the firm is an important objective*	1: completely disagree 2: disagree 3: neutral 4: agree 5: completely agree

Appendix A. Supporting information

Supplementary data associated with this article can be found in the online version at doi:10.1016/j.jfbs.2026.100766.

Data availability

Data will be made available on request.

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