External Affairs And Trusted Family Businesses: A Research Agenda

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External affairs and trusted family businesses: A research agenda

In the past two decades, the Journal of Public Affairs has solidified corporate public affairs as a legitimate leadership skillset vital to driving future business growth. Yet, more work at a persistently overlooked gap in the Journal, the intersection of public affairs and family businesses, might shed new light on thriving, trusted, and sustainable business practices. This paper examines the unique contributions of family businesses as trusted influencers. As one of the most prominent forms of business, worldwide, family businesses persistently enjoy unusually high levels of public trust while collectively employing millions of wage earners yet their contributions to corporate external affairs research ostensibly have been largely overlooked. These “silent” community and social influencers offer a potentially new perspective on effective public outreach given their persistent and unique trust advantage. Family business’ trust-based capabilities can potentially bring new insights to understanding effective stakeholder engagement, credible communications, and issues management—the sweet spot of corporate public affairs functions. Future research opportunities based on relational- and locational- advantages of trusted family businesses are identified.

KEYWORDS
business families, corporate social responsibility, family firms, trust

1 | INTRODUCTION

An online search of the Journal of Public Affairs (JPA) library reveals Conor McGrath’s (2006) case study as the earliest article using the term “family” in the title. He examined the uniquely effective lobbying strategies of long-lived, family businesses that drew upon their storied legacy to build public trust. More specifically, McGrath (2006) examined how family businesses transformed the U.S. beer distribution industry by effectively deploying the slogan “Family Businesses Distributing America’s Beverage.”

Since McGrath’s (2006) article from nearly 20 years ago, surprisingly, there has been only one additional article published in the Journal of Public Affairs on the importance of family businesses, the impacts of families’ desire to leave a legacy, or family’s unique contributions directly affecting business decisions, mitigating harms, or the betterment of society through corporate public affairs. Harris and Ozdemir (2020) examined the influence of family owners and public outreach activities in the context of Turkish family businesses.

Focusing on the family aspect of family business and public affairs, a broader search within the JPA library hints at the indirect importance of families as a critical influencer in forming children’s political opinions (Mortimore & Tyrrell, 2006); an important institution that must be considered when examining political outcomes in Latin America (Thomas & Klimovich, 2014); an important actor as...
elaborated upon in the crisis management case study of Ford Motor Company, owned and operated at the time by the Ford family (Moll, 2003); or, as an important aspect of elite connections and engagement (April et al., 2010). Despite such work, there has been a limited focus on the direct influence and capabilities of families and family businesses with respect to political, community, or policy engagement, issues management, and community outcomes.

The paucity of external affairs research explicitly including family business might suggest that family businesses are unimportant in scale or size. Yet, this is untrue. According to a recent survey, most businesses worldwide are family-owned and managed (Hill et al., 2020) with more than 80% of established business owners and 75% of entrepreneurs own or manage their businesses with family members (Hill et al., 2020). In America, which has proportionately fewer family businesses than other countries, 32.4 million family businesses in 2021 contributed to 54% of the private sector GDP ($47.7 trillion); amounting to employing 83.3 million people or 59% of the private workforce (Astrachan & Shanker, 2003; Pieper et al., 2021). Yet family business research is, presumably, not considered an interesting context for public affairs. Why is this?

Perhaps family businesses operate below the radar, politically, without a need for a formalized public affairs function. Yet, McGrath’s (2006) case study suggests family businesses are politically potent even if seemingly silent or operating without a formalized public affairs unit. Perhaps public affairs functions are not considered relevant as many family businesses are privately held and not publicly listed; yet Harris and Ozdemir (2020) suggest otherwise as family owners significantly influence outreach and engagement in Turkey.

Further, family business research suggests family businesses are risk-averse to social movements (Combs et al., 2020), which may lead them to engage early on public issues in more subtle, nuanced ways. To wit, as a group, all family businesses are not necessarily more eco-friendly, yet some family firms are more environmentally aware and socially responsible especially with respect to local community relationships, especially compared with nonfamily firms (Cennamo et al., 2012; Cruz et al., 2014; Dyer & Whetten, 2006; Sharma & Sharma, 2021; Zellweger & Nason, 2008).

Alternatively, the paucity of research of family business influence on public affairs may be due to a perceived halo-effect stemming from a trust-advantage when compared with nonfamily firms. A halo-effect creating a trust-advantage, for instance, might act as an insurance policy with the benefit of doubt granted to a family business when public issues arise (Godfrey et al., 2009).

Similarly, a family business when compared with a nonfamily firm may not implement undue risky activities with negative externalities passed on to third parties (e.g., local communities, local governments) thereby mitigating moral hazards (Griffin & Bryant, 2022). As such a family business may have few (or fewer) negative externalities that spill over, hamstring, or are borne by others (e.g., communities, employees, contractors, local municipalities) in the pursuit of capitalism (Kellermanns et al., 2012). Altogether, this suggests a pragmatic, risk-averse nature for some family businesses that may desire to limit adverse effects on local communities or mitigate conduct that might spark social/community protests—a research topic of interest to the Journal of Public Affairs.

Yet not all family businesses earn a trust-based advantage. The headlines of Elizabeth Holmes, founder and former CEO of Theranos, the blood testing company that ran afoul of the law was sentenced to many years in prison; Sam Bankman-Fried of the FTX crypto-currency implosion is currently charged with multiple crimes; and the Sackler family, owners of Purdue Pharmaceuticals makers of opioids (OxyContin) that directly contributed to numerous overdoses (Mann, 2021), suggest that family firms operate in fraudulent ways. With a broad, heterogeneous range of behaviors across family firms, finding generalities across seemingly idiosyncratic behavior is needed. Otherwise, as the saying goes “if you know one family business, you know one family business.”

We assert that the paucity of family business and public affairs research is curious and potentially a research blind spot for at least three reasons directly tied to effective corporate public affairs: trust-based advantages, relational-advantages, and locational-advantages.

First, the long-standing trust-advantage of certain family businesses (Edelman, 2017, 2019a, 2019b) suggests that firms owned or operated by a family might be uniquely sustained as trusting-worthiness, which facilitates earning and appropriately leveraging public trust that underlies effective external affairs (Allen, 2020, 2022; Fleisher, 2012; Griffin & Lenn, 1998; Harsanyi & Allen, 2017; Mahon, 1989; Mahon & McGowan, 1996).

Second, some trusted family businesses that are community-oriented may want to leave a legacy for the next generation of owners and may build upon strong, pre-existing relationships, for example, by leading neighborhood-by-neighborhood initiatives or multi-local and multi-regional collective efforts. Effective engagement by privately held family businesses with elected municipal officials and local community members might highlight best practices—a relational-advantage— that are under-appreciated by similarly sized publicly traded firms (Dyer Jr., 2006; Dyer & Whetten, 2006; Wisner, 2012) that operate with an arms-length attitude with public officials, local municipalities, and neighbors.

Third, extending the relational-advantages, a long-term oriented, multi-generational family business aspiring to leave a legacy for future generations might simply choose to conduct business and value certain relationships differently (Miller & Le Breton-Miller, 2005), especially in specific geographies where they do business (Luca & Doh, 2012). That is, how a long-lived family firm conducts business and builds public confidence in the business within a specific locale (or region) might be underexamined. For instance, longterm cooperative engagement with certain employees, suppliers, communities, and creditors might entail a “perseverance” or “resilience” orientation that enables connectedness with mutual, perhaps reciprocal, benefits for the firm, the family, and numerous stakeholders over time (Cennamo et al., 2012; Crane, 2020; Dyer Jr., 2006; Dyer & Whetten, 2006). Such spillover effects of locational- and relational-based organizations having a long term time horizon might inspire public trust, especially crucial during crises (Wenzel et al., 2020) such as the COVID-19 pandemic.

In short, we find it puzzling why insights from family businesses are underrepresented in extant public affairs research. We argue that certain family businesses may create trust-, relational-, and/or
locational-advantages relevant to implementing effective public affairs objectives. This paper explores the possibility that perhaps some families and some family firms are uniquely trusted, governed with a long-term orientation, or operating in ways predisposed to continuously building public trust, such as limiting the worst impulses of capitalism by using discretion to mitigate negative externalities on local communities (Griffin, 2016; Miller & Le Breton-Miller, 2021).

We note that families and family business are, after all, a breed of extremes (Miller & Le Breton-Miller, 2021) with not all family businesses equally modeling ideal behaviors. Nor is family ownership a panacea for effective engagement addressing all that ails a community, state, or nation.

This paper contributes to the literature on family businesses and public affairs with implications for practitioners in the field. First, the paper contributes to the literature on family business with an outward-facing view of family business embedded within a larger community or societal context. That is, the decisions of owners and managers of family businesses, in the aggregate, influence the workplaces of employees, the variety of products consumers purchase, the willingness of suppliers to work with the firm, and the well-being of community members through taxes paid or pollution emitted, or volunteer hours donated—for good or for ill. The family influence can extend well beyond its ownership and management control activities. We examine the family businesses as a driver of impact (positive or negative through shirking, nepotism, or cronism, for example) on building public confidence through external affairs activities.

Second, the paper contributes to the literature in corporate public affairs by examining an under-studied population, which in turn provides a more comprehensive and holistic view of new, or different, ways of influence and effective public engagement. Further, examining how trust-based relations endure within a polarized, divisive public (or political) context might reveal insights on the overall effectiveness of external affairs functions.

Finally, the paper has practitioner implications by providing concrete ideas regarding the sources of advantages for family businesses that also may be adaptable for nonfamily firms. In highlighting the drivers supporting unique sources of advantage, practitioners can hone and build upon specific trust-, relational-, and locational-advantages to innovate and create new growth opportunities. In short, finding mutual, conjoint interests with stakeholders that are in tension with one another might be akin to a family gathering where harmony is desired, yet age-old tensions and sibling rivalries persist.

This paper is organized as follows. The next section defines family businesses highlighting the heterogeneity among family firms alongside their potentially advantageous ownership and governance contributions to effective external affairs. The third section explores the potential for unique trust-, relational- and locational-based advantages of family firms. The fourth section identifies implications by highlighting opportunities for future external affairs research with a conclusion in the fifth, and final, section.

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Industry distribution of the top 500 global family firms.</th>
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</thead>
<tbody>
<tr>
<td>Industries</td>
<td>Freq.</td>
</tr>
<tr>
<td>Consumer</td>
<td>187</td>
</tr>
<tr>
<td>Advanced Manufacturing &amp; Mobility</td>
<td>134</td>
</tr>
<tr>
<td>Government &amp; Infrastructure</td>
<td>44</td>
</tr>
<tr>
<td>Telecom, Media, and Technology</td>
<td>44</td>
</tr>
<tr>
<td>Energy</td>
<td>41</td>
</tr>
<tr>
<td>Financial Services</td>
<td>29</td>
</tr>
<tr>
<td>Health Sciences &amp; Wellness</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: 2021 EY and University of St. Gallen Family Business Index.

2 | FAMILY BUSINESSES AND EXTERNAL AFFAIRS: EMBRACING HETEROGENEITY

Family businesses,1 one of the most prominent forms of organizing worldwide (Chrisman et al., 2003; Chua et al., 1999; Pieper et al., 2021; Schell, 2018), and their underexplored implications are not only perplexing but concerning for external affairs research. Collectively, extant research may be overlooking the implications of effective corporate engagement with numerous stakeholders (e.g., employees, creditors, suppliers, consumers, citizens, and communities) over time, and across geographies.

Family businesses are a heterogeneous group in various aspects. A recent study of the top 500 global family businesses2 show that family firms operate in various industries ranging from consumer-oriented industries having the highest proportion of large family firms at 37.4% to health sciences and wellness with 4.2%. See Table 1 for the industry distribution of the top 500 global family firms.

Further, the largest family businesses differ in ownership characteristics with a slight majority publicly held (50.40%) while ranging in size from 21 employees to 2,300,000 and in age from 15 to 413 years since founding (EY and University of St. Gallen, 2021). In terms of family involvement, the number of family members on the board of directors ranges from 0 to 8 family members with 55.2% of these family businesses having nonfamily CEOs. Regarding CEO gender diversity, the majority of CEOs are male with a greater proportion of female CEOs among family CEOs (6.25%) than nonfamily CEOs (4.7%). Table 2 shows the governance details of family involvement in the top 500 global family businesses.

One definition of family firms is based upon ownership and control of the firm. Some family firms might retain an absolute majority (at least 50%) of shares (Miller et al., 2017) while other researchers might assess family firms based on voting control (Anderson & Reeb, 2003; Pieper et al., 2021). For example, gaining access to

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1A family business may be partly owned and/or partly operated by a family member. The definition of a family business is contested: ranging from a narrow definition to a rather broad conceptualization with significant control of the total votes outstanding (Miller & Le Breton-Miller, 2006; Pieper et al., 2021).

22021 EY and University of St. Gallen Family Business Index (https://familybusinessindex.com/#Index).
TABLE 2  Family and nonfamily CEOs distribution within the top 500 global family firms.

<table>
<thead>
<tr>
<th>Family CEOs (N = 224; 44.8% within 500)</th>
<th>Nonfamily CEOs (N = 276; 55.2% within 500)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Female</strong></td>
<td><strong>Male</strong></td>
</tr>
<tr>
<td>14 (6.25% within 224)</td>
<td>210 (93.75% within 224)</td>
</tr>
<tr>
<td>13 (4.7% within 276)</td>
<td>263 (95.3% within 276)</td>
</tr>
</tbody>
</table>

Source: 2021 EY and University of St. Gallen Family Business Index.

nonfamily sources of capital may allow growth as publicly traded, listed companies within numerous stock exchanges (Chang, 2003; Kashmi & Mahajan, 2014) yet retaining voting control through a relatively small percentage of shares (Anderson & Reeb, 2003; Pieper et al., 2021).

Aside from ownership levels, the day-to-day operational management within family firms can differ widely as privately owned family firms have significant discretion (Carney et al., 2015) as shown in Table 2 with hiring professional managers evident in just over 50% of the world’s largest family businesses.

Further, the balance between financial and non-financial objectives for the firm and/or the family may change over time (Chrisman & Carroll, 1984). Non-financial outcomes for family members, for example, might include accruing prestige, community standing, or resilience (Miller & Le Breton-Miller, 2014; Naldi et al., 2013). Some family firms might be particularly keen to co-create wealth with multiple (external) beneficiaries (Griffin, 2016; Lumpkin & Bacq, 2019) through intricate connections to communities.

Notably, family businesses can suffer due to stagnation, nepotism, poor executive succession, and other family firm-specific ills such as early deaths, divorces, and estrangements (Miller & Le Breton-Miller, 2005; Miller et al., 2017). With only one-third of family firms surviving into the next generation, the challenges are surmountable yet steep. Managing the relations among the family, the ownership dynamics, and the goals of the business can be much more difficult if multiple family members (aka siblings or cousins) are key executives or employees (Chua et al., 1999; Le Breton-Miller & Miller, 2015).

Thus, for some family businesses, the traditional agency issues between owners and managers may be intensified by additional agentic conflicts between majority (family) owners and minority (nonfamily) owners. These agency conflicts at the heart of corporate governance are especially important for family businesses3 (Aguilera & Crespi-Cladera, 2012, 2016) and those family firms having passed the business from one generation to another generation (Lane et al., 2006).

3.1  Trust advantages

A recent Edelman Trust Barometer for Family Business research shows that family-owned businesses are trusted by 69% of people, worldwide, with a positive trust gap of 13-points over nonfamily firms (Edelman, 2019a, 2019b). The trust-advantage for family businesses widens in Ireland and Spain (30-point spreads), Germany (28-points) and Argentina, UK, France, Italy, and the U.S. (ranging from a 24 to 26-point spread). This persistent trust advantage held by family businesses, in general, and its implications for effective external affairs, specifically, has been largely overlooked in the Journal of Public Affairs research.

Regarding governmental relations and effectively managing social issues, family businesses have an advantage—especially with the family business’s relationship with its employees. Sixty-eight percent of employees of large family businesses look to their employer to be a trustworthy source of information about social issues and other important issues versus 62% of employees of nonfamily businesses (Edelman, 2019a, 2019b).

The trust advantage for large family businesses’ due to their relationship with employees lends itself to additional advantages relevant for effective trust-building activities. Employees that trust their employers have a 44-point advantage in loyalty; a 32-point advantage in commitment; a 40-point advantage in advocacy; and a 35-point advantage in engagement (Edelman, 2019b).

Family business employees are also more engaged in their organization’s social media (9-point advantage) publicly supporting decisions taken by leadership (8-point advantage) with employees comfortable in pressuring management to weigh in on important social and political issues (9-point advantage) when compared with nonfamily businesses (Edelman, 2019b).

While the implications of employee-based trust may be often taken for granted as Warren Buffet illustrates in the quote about the air we breathe, customers are willing to pay more if they are aware that the business is family owned (Edelman, 2019b). A significant trust-advantage of +45-points exists for customers of family-owned businesses perceived to be trustworthy (Edelman, 2019b). To wit...

...customers believe that the quality of the products and services in a family-owned business is higher than those of other businesses. Customers believe that family business listen more to the customers’ needs as well as they treat their employees better. This trust relationship is based upon the expectations and beliefs that people have towards family businesses. People are more convinced that family business contribute more to

3For family firms, principal-agent issues can be compounded between majority and minority owners in family businesses, a topic beyond the scope of this paper.
the local community, donate more to charities, address concerns about immigration and globalizations as well as preserve more the countries values. (Edelman, 2019b)

In general, large family businesses have a 6-point trust advantage over similarly sized nonfamily firms. This family business trust-based advantage is particularly important when employers and CEOs are increasingly looked to be a trustworthy source of information about social issues and other important topics in a polarized context (Dosak et al., 2022; Edelman, 2019a, 2019b, 2022).

Trust-based relationships can lower expenses (Jones, 1995) by decreasing transaction costs (Williamson, 1975) through lower monitoring or enhanced opportunities for creating more, and unique, new partnerships that create value (Austin & Seitanidi, 2012a, 2012b). Decades of research suggests that building trust with stakeholders and the public through effective engagement creates value in five ways: increased top-line growth, decreased costs, regulatory interventions, productivity uplift, and investment/asset optimizations (Henisz et al., 2014; Mahon & Griffin, 1999; Mahon & McGowan, 1996). That is, trusted companies with a comprehensive understanding of their risks (financial, political, economic, environmental and communities) can reduce social, environmental, and governance risks. Reducing volatility of risks while profits remain unchanged (i.e., decreased risk, same reward) gives a firm an advantage over equally risky investments.

In addition, certain family businesses have unique capabilities due to the family influence on the business via cooperative connections, community building (Miller & Le Breton-Miller, 2005), and building trust by including the family name within the organization’s name (Micelotta & Raynard, 2011). Further a family-named family business that has a branded product to defend, protect, and enhance might consider reputational damage differently than nonfamily businesses. These trust-based advantage for family businesses, in turn, may lend themselves to potential relational advantages as discussed below.

### 3.2 Relational advantages

Effective external affairs functions are often predicated on effective stakeholder engagement (Allen, 2022; Griffin, 1997; Mahon, 1989; Mahon & McGowan, 1996, 1998). By engaging with hostile and cooperative stakeholders inside and outside the firm; through direct and indirect mechanisms (e.g., lobbying or newsletters and third-party advocacy, respectively), an integrative corporate public affairs functions can act as an information hub, trading insights and ideas to effectively address salient issues (Allen, 2020; Baron, 1995; Clark et al., 2017; Mahon, 1989) and effect impact (Griffin, 2017).

Effective engagement by external affairs executives in concert with top management teams, CEOs, and line managers with key stakeholders attempt to address mutual, conjoint interests (Freeman, 1984; Lumpkin & Bacz, 2019). Working with a wide variety of stakeholders (Harrison & Freeman, 1999) often having conflicting interests in order to derive mutual outcomes can require a combination of trust-building, risk-taking, and coercive pressures (Bryant et al., 2020, 2022).

Amidst the inevitable ebb and flow of financial resources and competitive forces (ACCPA, 2019; Griffin & Mahon, 1997; Oikonomou et al., 2014; Orlikovsky et al., 2017), public affairs executives that are aware of, understand, and can translate the true impact of everyday decisions within the organization (to CEOs and line managers) while orchestrating changes and facilitating common messages across multiple audiences (Harsanyi & Allen, 2017) are effective (ACCPA, 2019; Allen, 2020, 2022; Griffin, 1997; Mahon, 1989).

Rather than treating stakeholder management as a mere means to address a firm’s instrumental (financial) gains (Donaldson & Preston, 1995); a relational advantage infers engagement and the responsible treatment of others as an inherent good, in and of itself (Ganson et al., 2021; Greenwood, 2007; Greenwood & Van Buren III, 2010). That is, “organization[s] acting in the interests of legitimate stakeholders” (Greenwood, 2007, emphasis added)—an other-oriented view of business that may reflect some family firms’ relationships, over time, with trusted partners (Miller & Le Breton-Miller, 2005).

Pursuing common, and potentially public, interests explicitly recognize the multiple (heterogenous) and contradictory motives of stakeholders (Bridoux & Stelthorst, 2014, 2016)—each having different resources needed by the focal firm (Barney, 1986, 1991, 2018). As such, effectively engaging stakeholders, over time, requires a nuanced understanding of common interests in the short- and longer-term. Despite the difficulty of maintaining relationships over time, the benefits of employees (or suppliers or customers) voluntarily engaging in advocacy on behalf of the firm are manifold. Meaningful connections can leverage network effects, lower transaction costs, decrease monitoring of contracts, enhance pre-existing halo effects with goodwill, and leverage positive reputational effects, which in turn, creates civic wealth (Jones, 1995; Lumpkin & Bacz, 2019; Rowley, 1997; Rowley & Moldoveanu, 2003). On the flip side, negative reputations can escalate and exacerbate issues (Healy & Griffin, 2004).

For example, global family firms might be perceived to be of national importance (e.g., L’Oreal from France; Tata from India; Philips NV from The Netherlands) and thus might receive preferential (or harsher) treatment with home or host national governments depending on the larger socio-political dynamic between countries.

Further, some family businesses with long-standing family involvement may accelerate business innovations when crises emerge (e.g., rapid transitions to net zero in the automotive industries). Rapidly iterating between policy (ambitions and intentions) and operational, day-to-day management while addressing important issues can be facilitated if the family has deep bonds stretching back for decades with implicit trust in one another (Gómez-Mejia et al., 2007), even if located in different areas, regions, or states. In the next section, we discuss locational-advantages that certain family businesses might have in building public trust.

### 3.3 Locational advantages

Family businesses can be mythicized as hyperlocal, small, resource-constrained (“last to hire”) organizations with family members deeply
embedded as managers and owners. As such, family firms often integrate public affairs responsibilities into the core of the business with family members implicitly responsible for outreach and public-facing engagement. Research from Australia shows effective public affairs in large and small businesses is due to the integration of various responsibilities requiring alignment and coherence (ACCPA, 2019; Allen, 2007, 2012, 2020). More specifically, businesses often have numerous community, staff, regulatory, media, political and reputational issues intertwined and feeding off each other, requiring consistent strategic responses (Allen, 2012, 2020).

The resource-constrained founders of family businesses facing a complex milieu of entrenched, localized interests might, in turn, encourage experimentation due to long standing community commitments. That is, a time-honored legacy of deep ties to local decision makers might emphasize resilience and resourcefulness, rather than resistance. Being neighbors with stakeholders (elected officials, employees, suppliers, etc.) with the family business having a respected position within the community might encourage integrative, cross-pollination of ideas across typically siloed channels due to unique hyperlocal locational-advantages (Allen, 2020). Executives in mining, extraction, and resource-based industries, for example, may (or may not) be effective diplomats bridging conflicts when controversial public issues arise due to the firm’s and the owners’/managers’, long-term interest in residing in town (Ganson et al., 2021).

Further, family firms might tend towards treating local employees as an extension of family or as ambassadors resulting in a lower turnover, higher loyalty, or improved morale of employees (Youn et al., 2021) and community relations. Loyalty to the family (as opposed to the firm) boles well when community members are in conflict with the family firm as employees may voluntarily advocate on behalf of the family, and the firm, if community issues become heated. Employees are often the first to notice if the rhetoric of a firm is not consistent with its everyday actions (Griffin et al., 2015).

Local family businesses might be more likely to engage in a relational approach if their brand promise includes being conveniently located as the “go-to” shop around the corner (e.g., local, independent, family-owned restaurant, café, tavern, craft brewery, or marts). A local bank (e.g., Devon Bank in Chicago) may have no desire to expand beyond the community/region and thus deepens ties, expands products and services to more clientele such as refugees or immigrant communities, over time. Further, a long-lived family business might work directly with vocational schools to ensure a steady supply of skilled labor (e.g., plumbers, electricians, welders, weavers, etc.) for the company and the region, creating a localized cluster effect. A study of regional innovation under place-based constraints might be an important contribution to understanding family businesses and community relations.

Rapid innovation and growth of a family business (e.g., Marriott, LVMH, or Unilever) to national/regional/international markets can bring added complexity to the family, the firm, and its ability to build public trust (Griffin et al., 2005; Griffin & Prakash, 2014; Prakash & Griffin, 2012). As a family and firm steeped in local, place-based competition, expansion may deepen local relationships (e.g., remembering our roots; how the community helped us start out) or may render the local connections inconsequential, of lesser importance. Family businesses’ ability to manage complexity (e.g., growth in new markets, rapid innovation) suggests that place-based competition and its implications for public affairs executives is under-examined.

For example, comparing effective public engagement by publicly traded, family-named businesses (e.g., Marriott, Unilever, Merck) may be different than privately/lessly held family-named firms (e.g., Tata Consultancy Services, Mars) as demands for financing, family control, and aspirations concomitant. Similarly, family businesses that sell becoming part of a larger conglomerate, may or may not retain a aura of familiness (Frank et al., 2017) as they grow nationally or internationally (e.g., Ben & Jerry’s, Kraft, Anheuser Busch). These once well-known family businesses may (or may not) be inhibited or constrained by family influence and family status in their business expansion opportunities.

Alternatively, managing international public affairs and community-based relationships within a family-named chaebol (e.g., Samsung) or a family-named conglomerate (e.g., Philips N.V., RJ Reynolds or Philip Morris International) may pose its own challenges due to pyramidal financing, ownership battles, controversial products, or a focus on professional management and primacy of shareholder value rather than building intangibles as a legacy from the founding family (Griffin et al., 2021; Griffin & Youm, 2018).

4  |  FAMILY FIRMS’ TRUST-BASED ADVANTAGES: IMPLICATIONS FOR EXTERNAL AFFAIRS RESEARCH

The importance of trust-building in effective corporate public affairs is well established from studies around the world encompassing Australia, Canada, Europe, the UK, and United States (Allen, 2020; Griffin, 2005; Harris, 2016; Bitonti & Harris, 2017; Mahon, 1989; Mahon & McGowan, 1996, 1998). Decades of public affairs research across numerous political systems extoll the importance of building trust and having trustworthy relationships with regulators, legislators, senior management across lines of business, and public affairs teams over time and across geographies (Allen, 2020; Centre for Corporate Public Affairs, 1994; Fleisher, 1993; Griffin, 1997; Harsanyi & Allen, 2017; Post et al., 1982). These studies collectively concur that building trust is not spin nor a nice-to-have “gimmick”. As a boundary spanning function, public affairs functions are often a centralized (and at times integrative) hub that retains institutional knowledge while directing and re-directing engagement with stakeholders including but not limited to the media, regulators, neighbors, municipal officials, thought leaders and experts to form an effective public affairs network (Allen, 2020).

Importantly, external affairs functions can encourage good trust and hard trust to build real trust. Fort (2007) distinguishes between good trust and hard trust with hard trust backed by legal commitments such as contracts; whereas good trust allows for incomplete contracts to be supplemented by mutual adjustments without...
TABLE 3  Future research areas at the intersection of family businesses and corporate public affairs.

<table>
<thead>
<tr>
<th>Topics</th>
<th>Areas for future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust-advantages of family businesses</td>
<td>What are the costs and benefits associated with building distinct types of trust (e.g., good trust, hard trust, real trust, etc.) for family firms? Are trusted relations dependent upon specific characteristics of certain stakeholders? How does a trust-advantage in stakeholder engagement impact the effectiveness (or structuring) of external affairs functions?</td>
</tr>
<tr>
<td>Relational advantages of family businesses</td>
<td>When and how do relational advantages of family firms influence the creation of mutual, conjoint interests with employees, suppliers, and customers? Do relational advantages with primary stakeholder spill over to communities, regulators, and the media?</td>
</tr>
<tr>
<td>Locational-advantages of family businesses</td>
<td>How might the imprint of founding families in family firms create locational advantages (e.g., domestic vs. multinational family firms)? Why and how might a families’ (ongoing or withdrawal of) embeddedness within a local community create firm-level (and community-level) advantages through meaningful engagement? Are family firms more likely to survive (national, socio-political, or currency) crises through localized-advantages (engagement with employees, experimentation)?</td>
</tr>
</tbody>
</table>

...incurring insufferable monitoring costs. Thus, when relationships outlined by (incomplete) contracts buttressed by mutual trust may have a cost advantages over tightly specified long-term contracts (Hillman & Hitt, 1999; Hillman & Keim, 2001; Thompson, 1967; Williamson, 1975). Building commitment and sustaining trusted relationships are central to the intangible value added by public affairs functions (ACCPA, 2019; Griffin & Dunn, 2004).

In short, a trust-based, relational approach in public affairs is predicated upon reciprocal and repeated exchanges, over time, with multiple stakeholders (Barney, 2018; Freeman, 1984; Hillman & Hitt, 1999). Thus, certain trusted family businesses may be able to build (good, hard, and real) engagement over time with stakeholders—including national governments—leading to new insights in effective public affairs. Further, research as to how trusted relations may enable a business to grow or innovate—especially when crises occur—is needed.

Building trust-based relationships takes time with consistency as an important characteristic in assessing the efficacy of stakeholder engagements (Oikonomou et al., 2014). Reciprocal relations “means treating stakeholders on the basis of fairness consideration” as opposed to “an arms-length approach...strictly on the basis of bargaining power” (Bridoux & Stoehlhorst, 2014, p. 107). Thus, century-old family firms (e.g., Merck, Mars, Tata, Ford, Michelin, Firestone) may operate differently based on family-based values established at their founding.

Trust, especially enduring trust, may underlie long standing relationships among family firms. Building trust through pre-existing relationships is in a public affairs department’s best interest (Mahon, 1989). Yet, when crises occur such as the Ford and Firestone tire controversy (Moll, 2003), even long-standing family-based trust relationships can be strained to the point of breaking. Examining how family firms navigate crises, and re-negotiate relationships under stress, such as the COVID-19 pandemic is an opportunity for future research.

Trust-based relationships groomed over time may create connectedness with positive spillover effects (Crane, 2020). For example, a stakeholder watching how a firm engages with others is assessing a form of procedural justice—creating an expectation of how prospective stakeholders (especially less powerful stakeholders) might be treated.

Connectedness can, in turn, lower transaction costs, allow for rapid innovation, and open innovation (Meireles et al., 2019) as well as undertaking more complexity including growth in scale or scope (Youm et al., 2021). As family firms, in general, are inherently risk-adverse (Patel & Chrisman, 2014), connectedness means that risks—development risks, climate action risks, or financial risks—might be shared or borne by the broader stakeholder network, not solely by the family business (Youm et al., 2021). The discussion thus far suggests several areas for future research which are highlighted in Table 3.

5 | CONCLUSIONS

This study highlights the pervasiveness and importance of family businesses around the world alongside illustrating how the unique arrangements of family members as owners and managers might create trust-based advantages for family firms (Le Breton-Miller & Miller, 2015; Miller et al., 2017; Miller & Le Breton-Miller, 2006). By discussing the relational- and locational-advantages of trusted family firms, we identify future research opportunities at the intersection of external affairs and family businesses.

For example, innovative responses to the COVID-19 pandemic include stories of local family-owned restaurants that pivoted to protect essential workers with front-line cashiers and service providers remaining paid, on the job, to feed essential workers, while dividends to family members were eliminated. Locally owned hair salons and repair shops stayed open keeping loyal clients and employees paid; while family-owned grocery stores were cross-training employees to keep them safe and employed; and associations mobilized for government support for family firms. Family-owned manufacturers of medical services and protective personal equipment (PPE) worked with employees to maintain social distance, create safe break rooms, facilitate vaccinations for employees and their families, organize shifts around the clock, and streamline services to double or triple productivity. Rapid innovation—utilizing process and product innovations—
tied to a common sense of duty, core values, and priorities resulted in “creative” deployment of profits, people, and products. Comparing and contrasting family business and nonfamily firms’ responses might reveal differences in engagement, trust, and reveal seeds for future productivity (including rehiring laid off workers).

Family firms, just like many firms, embraced digitalization to connect far-flung production sites and retail stores to coordinate and deploy needed information, products, and services. Of course, ongoing economic perturbations due to the pandemic, worldwide recession, inflation, and war in Ukraine affect family and nonfamily firms. Examining if, and how, trusted family firms increase their trust advantage during crises might be important to all public affairs executives intent on building trust with the public.

For scholars, the trust-based and locational-advantages of certain family businesses have implications for building trust, especially in conflict prone areas. Using a peace through commerce lens, does regularized engagement by family businesses result in more rapidly rebuilding communities, or more sustainable communities, compared to engagement by nonfamily businesses? Does the trust-advantage of family businesses manifest in different competitive contexts (turbulent or placid), for example, family businesses coalescing in specific geographies or industry contexts (e.g., food-based, niche wineries) where they can persistently outperform non-family firms (Griffin & Bryant, 2022; Hill et al., 2022)? Comparing and contrasting the unique trust-based advantages of family businesses within external affairs highlight the need to integrate insights across multiple literatures where trust is implicitly required (e.g., family business and corporate governance, crisis management, stakeholder engagement, coalitions, and partnerships).

In summary, at the heart of this inquiry are several opportunities for public affairs researchers to explore how trusted family firms might conduct business aligned with sustainable, humane treatment of others. Certainly, poor conduct within family businesses may be likely as well. Yet, in extant external affairs research, effective engagement on important corporate and public issues such as climate action, inequities, and diversity research is ostensibly missing a lens to how family businesses operate in these contested arenas. Family businesses, having differences in governance structures (family member involvement; privately held vs. publicly traded; large and small), choosing different paths regarding how to treat employees and people (longevity, retention, rehiring), and management of environmental and community externalities (moral hazards) may create research opportunities for setting expectations and choosing among the least harmful way of conducting business. The “voluntary” prosocial and eco-friendly behaviors of family businesses, especially during times of crises and its aftermath, are ripe for additional exploration.

DATA AVAILABILITY STATEMENT
Data sharing not applicable to this article as no datasets were generated or analyzed during the current study.

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