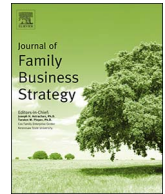




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journal homepage: www.elsevier.com/locate/jfbsFamily involvement and corporate social responsibility disclosure[☆]Laura Cabeza-García^{a,*}, María Sacristán-Navarro^b, Silvia Gómez-Ansón^c^a University of León, Department of Business Administration, Campus de Vegazana s/n, León 24071, Spain^b Rey Juan Carlos University, Department of Business Administration, Pº Artilleros s/n, Madrid 28032, Spain^c University of Oviedo, Department of Business Administration, Avenida del Cristo s/n, Oviedo 33071, Spain

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ABSTRACT

Building on the socioemotional wealth perspective, we hypothesize that family control and influence increase CSR disclosure. However, our results contradict this prediction: Panel data analyses for a sample of Spanish non-financial listed companies suggest that both family ownership and/or family governance have a negative influence on firms' commitment to CSR reporting, but the presence of a second significant shareholder may moderate this negative effect. Additionally, the identity of the second significant shareholder seems to matter: Foreign investors may reduce the negative influence of family ownership, but other families may increase the negative impact of family governance, and of the combined effect of family ownership and governance, on CSR disclosure. We discuss implications for future theory development and research.

1. Introduction

Firms have become more accountable to society. Nowadays they need to consider a wide range of agents who are interested not only in the company's economic and financial aspects, but also its impact on the environment and its interworkings with key social groups (Crane & Matten, 2010). Consequently, Corporate Social Responsibility (CSR) has become an increasingly significant company strategy (Carroll & Shabana, 2010). As the importance of CSR has grown, so has demand for its disclosure (Simnett, Vanstraelen, & Chua, 2009), with firms spending money and effort to provide information (in annual reports or in separate CSR reports) about their environmental and social performance (Gamerschlag, Möller, & Verbeeten, 2011). Thus, voluntary CSR disclosure has become more common, especially for publicly listed firms, with international organizations such as the Global Reporting Initiative (GRI)¹ setting sustainability reporting standards.

Given the growing importance of stakeholders, a significant stream of economic literature in the past few decades has analyzed firms' communication with them and the development of stakeholder dialogue and partnerships (Crane & Livesey, 2003). Some of the studies

analyze the factors that may govern voluntary CSR disclosure, with most of these papers examining company characteristics such as size (Archel, 2003; Roberts, 1992), industry (Moneva & Llana, 2000; Reverte, 2009), profitability (Ghazali, 2007), or shareholder structure (e.g., Brammer & Pavelin 2008; Carina Chan, Watson, & Woodliff, 2014)² as potential antecedents to CSR disclosure. Since investments in CSR tend to be long term (Johnson & Greening, 1999) and constitute a legitimate, sustainable means of survival and value creation for the company in the future (Oh, Chang, & Martynov, 2011), large shareholders are likely to be in favour of such investments. Moreover, owning a company perceived as "socially irresponsible" may entail high costs (Barnea & Rubin, 2010), which is another reason why large shareholders are likely to be concerned about the firm's social responsibility reputation and CSR disclosure. However, not all large shareholders may be equally interested in these aspects. Different types of shareholders may have varying objectives, and, consequently, shareholder identity would be expected to affect CSR disclosure practices. Only some studies, for example Campopiano and Massis (2015), Ghazali (2007), Grougiou, Dedoulis, and Leventis (2016), Haniffa and Cooke (2005), Khan, Badrul, and Siddiqui (2013), Kuo, Yeh and Yu

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¹ The GRI, an organization comprising thousands of international experts, aims to set guidelines for improving the production and clarity of transparent, reliable and comparable sustainability reports. Its prime objective is the disclosure of social, environmental and economic information.

² In the field of corporate governance, other studies have focused on whether certain characteristics of the board of directors affect CSR information transparency (for example, Brammer & Pavelin, 2008; Cabeza et al., 2013; Frias-Aceituno, Rodríguez-Ariza, & García-Sánchez, 2013; Halme & Huse, 1997; Haniffa & Cooke, 2005; Marquis & Quian, 2014; Prado-Lorenzo, García-Sánchez et al., 2009).

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(2012), Lewis, Walls, and Dowell (2014), Marquis and Qian (2014), Ndemanga and Koffi (2009), Prado-Lorenzo, Gallego-Alvarez, and García-Sánchez (2009), Siregar and Bachtiar (2010), Sundarasan, Je-Yen, and Rajangam (2016), Testera and Cabeza (2013), and Zeng, Xu, Yin, and Tam (2012), analyze the importance of the main shareholder's identity to CSR disclosure.

Among significant shareholders, families are the most frequent type of large blockholder worldwide (La Porta, Lopez-de-Silanes, & Shleifer, 1999). In fact, family businesses are the backbone of many economies, creating an estimated 70–90% of global GDP annually (Global Data Points, FFI, 2016). These firms can be small, mid-sized or large (La Porta et al., 1999). For example, families are present in nearly one-third of all companies in the S & P 500 (Anderson & Reeb, 2003), and in about 37.5% of German exchanged listed firms (Andres, 2008); and the top 100 family businesses in Europe had combined revenue of more than 1.8 trillion euros in 2011, nearly 14% of the European Union's GDP (Campden, 2012).

Family firms' unique characteristics have important implications for their social responsibility performance (Dyer & Whetten, 2006) and for their voluntary disclosure practices (Chen, Chen, & Cheng, 2008). In regard to CSR performance, for example, Block and Wagner (2014a) report for a sample of large U.S. listed firms that family ownership is negatively associated with community-related CSR performance and positively linked to diversity, employee, environment and product-related aspects of CSR; Block and Wagner (2014b), also for a sample of large U.S. public companies, find that family and founder ownership reduces CSR concerns, whereas family and founder CEO presence increases them. Uhlaner, van Goor-Balk, and Masurel (2004) report for a sample of small and medium-sized Dutch listed family firms that the family character of the companies tends to affect relationships with some stakeholders; but Amann, Jaussaud, and Martínez (2012) for Japanese listed firms, find that family business identity does not influence CSR in general. The empirical literature analyzing the effect of family involvement on CSR reporting is scarce, in any case. Moreover, the results are mixed and most of the studies simply use an ownership criterion when considering family control and influence. For example, Prado-Lorenzo, Gallego-Alvarez et al. (2009), for Spain, report a positive link between the presence of a significant individual shareholder and GRI reports. Campopiano and Massis (2015), for Italian firms, find that family businesses disseminate a greater variety of CSR reports and are less compliant with CSR standards, while Ndemanga and Koffi (2009), for Sweden, find that family ownership reduces CSR disclosure. Furthermore, Cuadrado-Ballesteros, Rodríguez-Ariza, and García-Sánchez (2015) find that independent directors do not influence CSR reporting in family firms and Sundarasan et al. (2016) suggest that independent directors have a negative influence on CSR disclosure in family-controlled companies.

Family firms are characterized by their management and governance, along with families' unique endowments and use of specialized resources (Salvato & Aldrich, 2012), which may explain a positive relationship between family involvement (ownership and/or control) and CSR disclosure. In fact, the socioemotional wealth perspective implies that families may have stronger preferences for non-financial objectives, for affective endowments such as the pursuit of legitimacy (Berrone, Cruz, & Gomez Mejía, 2012), or a long-term view (Anderson & Reeb, 2003; Berrone, Cruz, Gómez-Mejía, & Larrazakintana, 2010) that may shape family firms' voluntary CSR disclosures. For instance, family owners may prevent their companies from engaging in reputation-damaging activities and generally try to maintain a good image (Block & Wagner, 2014a); due to their long-term orientation, family firms may behave differently than non-family companies and may nurture personal relationships with some stakeholders such as employees or clients (Uhlaner et al., 2004); and family businesses may be more inclined than non-family firms to be good corporate citizens, with family firm reputation partially mediating the relationship between citizenship behaviour and company performance (Astrachan,

Ferguson, Pieper, & Astrachan, 2017). However, we must also consider that when families are the biggest shareholders in listed firms they may not be alone; there may be other large shareholders, whose interests may or may not coincide with those of the families.

Our study contributes in several different ways to the strand of literature that analyzes the influence of family involvement on CSR reporting. First, building on the socioemotional wealth perspective, we hypothesize that there is a positive link between family involvement and CSR disclosure, and so we examine the influence that family presence in ownership or/and governance has on CSR reporting. For that purpose, we initially define family companies by using an ownership criterion. We consider a firm to be a family business when a family owns at least 10% of the equity shares. Employing this methodology allows us to identify not only direct and indirect family ownership, but also family shareholdings as ultimate owner. We do so following the methodology employed by La Porta et al. (1999), Claessens, Djankov, and Lang (2000) and Faccio and Lang (2002) that measures as family ownership the stake held by individuals or families at the end of the chain of control. We also consider previous results by, for example, Villalonga and Amit (2006), who find that family ownership creates value only when the founder serves as CEO; and Berrone et al. (2012), who state that family control and influence (such as being CEO or chairman of the board) is one of the major dimensions of socioemotional wealth. Thus, we study the effect of family governance on CSR reporting by considering whether the board chairman is a family member, and we examine the impact of the combination of family ownership and governance. Second, considering the frequent presence of multiple shareholders in family firms (Sacristán-Navarro, Cabeza-García, & Gómez-Ansón, 2015), we analyze the possible amplifying or inhibiting effect on CSR reporting when there is a second significant shareholder present in a family-owned and governed firm. We also study whether different types of second-largest shareholders – in particular families and foreign investors – and their voting power may affect the relationship between family control and influence and CSR reporting.

For our analyses, we used a sample comprising 105 Spanish non-financial companies listed on the Madrid Stock Exchange for the period 2004–2010. The sample is fitting for the study as it refers to voluntary CSR disclosures and includes a high percentage of family firms. CSR reporting became compulsory in Spain after Directive 2014/95/EU took effect in December of 2014 (Directive, 2014). The Directive requires EU companies with more than 500 employees to disclose in their management reports information on policies, risks and outcomes pertaining to environmental, social and employee matters, respect for human rights, anticorruption and bribery issues, and diversity on boards of directors. As evidence of family firms' prominence in the Spanish market, approximately 50% of companies listed on the Madrid Stock Exchange are family businesses, with families frequently exercising their ownership indirectly and through control chains or pyramids (Sacristán-Navarro & Gómez-Ansón, 2007). These firms also have relatively high ownership concentration (Crespí & García-Cestona, 2001; Faccio & Lang, 2002) and frequently more than one significant shareholder (Sacristán-Navarro et al., 2015). The results of our analyses, contrary to what we expected in accordance with the socioemotional wealth perspective, suggest that both family ownership and family governance have a negative effect on companies' commitment to CSR disclosure. However, the presence of a second significant shareholder moderates this negative influence and forces companies to provide more CSR information to stakeholders. When we differentiate between types of second-largest shareholders, our results show that not all blockholders may behave the same way: While foreign investors' shareholdings seem to moderate the observed negative impact of family ownership on CSR disclosure (although not the observed negative effect of family governance), the ownership held by other families seems to exacerbate both the negative influence of families as main shareholders and family members as chairmen.

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