Asian Academy *of* Management Journal *of* Accounting *and* Finance

AAMJAF Vol. 17, No. 2, 217–245, 2021

DOES CORPORATE OWNERSHIP ENFORCE SUSTAINABLE DEVELOPMENT? AN EMPIRICAL STUDY ON KOREAN COMPANIES

Youngsoo Ra

Department of Public Policy, Guemgang University, 522 Sangwol-ro, Sangwol-myeon, Nonsan-si, Chungnam, 32906, South Korea

E-mail: yr207@nate.com

ABSTRACT

This study examined Korean companies on whether ownership affects corporate social responsibility performance (CSP) to influence on the corporate financial performance (CFP). According to the results, ownership has causational relationship with financial performance of firms varies upon proxy of CFP. Ownership and CFP demonstrates reverse-U type with ROA but U-type with market to book ratio (MB ratio). Second, ownership and CSP does not prove to have any causality. Partly, ownership shows negative effects on corporate governance. Finally, CSP does not affect profit (ROA) but improve the market value. For the moment, CSP is not an active factor to find out that high proportion of the companies in the sample during the research period were credited low CSP. Most of the companies with high credits on CSP are efficient and stable profit earning companies which leave room to considerthe slack-resource theory.

Keywords: CSP, CFP, ownership, firm value, corporate social performance, corporate financial performance

Publication date: 10 December 2021

To cite this article: Ra, Y. (2021). Does corporate ownership enforce sustainable development? An empirical study on Korean companies. *Asian Academy of Management Journal of Accounting and Finance*, *17*(2), 217–245. https://doi.org/10.21315/aamjaf2021.17.2.9

To link to this article: https://doi.org/10.21315/aamjaf2021.17.2.9

INTRODUCTION

Corporate social performance (CSP) has become a compulsory aspect for companies to survive in the market recently. A large proportion of customers perceive and value high for the corporate social responsibilities (CSR), therefore, responding to the recent emphasis, CSP as a strategic tool advances to capture the managers' interests. Companies are under uncertain business environment where they confront with something other than economic interests. They need to meet social interests (Prahalad & Hamel, 1994). The global business environment requires sustainability; accordingly, moral standards of business ethics are being constructed and revised. CSR is being institutionalised such that companies have to cope with new situation, not just some philanthropic actions added to the business activities but actual change of management cycle, goal setting and proposing strategies needed for new market (McPhee, 2014; Palmer & Flanagan, 2016). International Standard Organization (ISO) has addressed ISO26000 to suggest norms about corporate social responsibilities. ISO14000 series addressed environmental standards to companies in the global market two decades ago. Under the institutionalised movement of CSR, companies make high investment to attain sustainability. The question therefore becomes whether or not the investment to CSR is making profit to the companies. Profit is a significant factor for companies to keep going.

This study examined Korean listed companies in KRX (Korean Exchange) market, the relationship between CSP and their corporate financial performance (CFP). The study focused on ownership of the companies as most Korean companies demonstrate high owner-controlled governance. The ownership is held by the family members of the management. High ownership is not only seen in Korean companies as many firms in various countries with high ownership report better financial performance. Since Berle and Means (1932) who asserted "separation of ownership and control" companies, are expected to possess a large number of diversified shareholders for their shares are dispersed widely, however, after half a century, Shleifer and Vishny (1986) reported that 33% of the Fortune 500 firms had high ownership and control over their companies. Korean companies' unique corporate governance with high ownership and control and *Chaebol* system has been served as an efficient system through economic development stage. Not like what Berle and Means (1932) reported, companies have grown to large entities, but their governance is not dispersed as it is expected to be. Most of Korean companies are in form of family business. *Chaebol* is a unique corporate form of Korean companies. The characteristics of *Chaebol* are; family owned and controlled and usually in form of large in size possessing diverse industries or simply conglomerate. *Chaebol* demonstrates high

economic power in Korean economy. This study analysed *Chaebol* in separate variable because it leads the market norm.

This study focused on how the ownership read the market and invest on CSR to affect the value of the company when economic profit needs more strategy on sustainable development. This study uses ESG performance of firms from publicly traded companies in Korean stock market as CSP to seek CSP contributes to CFP especially when high ownership and control is involved. This study uses the data of family and their affiliated ownership with regard to seek its performance on CSR and financial performances. CSR aims to harmonise stakeholder expectations by doing so companies CFP is affected (Freeman, 1984; Mikolajek-Gocejina, 2016). Positive effects will be pursuable when accompanied by good governance practices, problems expected to rise with high ownership and control may be mediated (Faccio et al., 2001; Andres, 2008; Villalonga & Amit, 2006). Still high ownership and control receive reputations that enhance CFP. Then, would the management invest to enhance CSP to have effect on CFP?

The sample of data is 2,766 companies from 2011 to 2016 that trade in KRX market This study used panel data regression method to examine the research focus. The research model includes financial data. CSP is classified into high and low ESG group. The research model includes *Chaebol* as a dummy variable. *Chaebol* occupies a big part of the Korean economy. Because the *Chaebol* occupies high proportion of economic wealth among the industrial aspect, possess multiple industries within its boundary. The results showed that ownership did not have affect CSP overall except some minor effects. But higher ownership when interacted with CSP showed negative CFP. Ownership and CFP directly showed profit increase up to some level. This study could not find significant relationship between CSP and CFP but only in market value. *Chaebol* factor had positive effect on CFP when examined with CSP.

This study contributes to the understanding of the current status of Korean companies and their value seeking interest on CSR. By linking the ownership with CSP and CFP, each link implies which group values CSR and how that is affected to their value maximising process. This study finds that the level of ownership with regards to CSP differs has negative effects on profitability. This study finds that Korean companies have meek investment on CSR that needs to be improved for reinforcing CSR obligations.

RELATED LITERATURE REVIEW

Ownership Relationship with CSP and CFP

Studies on the ownership and CFP focus on whether ownership has any effect on the CFP and if any, whether the optimal level exists to maximise the profit. Demsetz (1983) asserted that there is no significant relation between ownership and firm value. Other studies also supported his assertion that ownership is, by no means, a financial policy to affect firm value but an outcome of it (Demsetz & Lehn, 1985; Demsetz & Villalonga, 2001). Previous studies support the idea of certain relationship between the two, assert low level of ownership is associated with positive firm value. The higher proportion of the ownership showed negative relationship (Morck et al., 1988; Stulz, 1988; Hermalin & Weisbach, 1988) so that disperse of the ownership is significant to firm value.

Agency theory and signal effect is another way to explain effect of ownership on firm performance (Lakonishok & Lee, 2001; Shleifer & Wolfenzon, 2002). Ownership has various issues in corporate governance one of which is agency theory. Managers tend to exploit their power and focus more on private benefit rather than the company's, affecting the firm value negatively (Jensen & Meckling, 1976). When managers have more ownership and control on firm, then two parties' interest is likely to be consonance, hence, less agency problems may arise (Villalonga & Amit, 2006). However, high ownership and control may cause manager entrenchment due to high discretionary power.

Family ownership may seem to retrogress from modern corporations, but it has positive functions as well such as reducing agency problems (Jensen & Meckling, 1976). Studies assert that family ownership enhances value of firm when compared with non-family ownership companies (Andres, 2008; Anderson & Reeb, 2003; Villalonga & Amit, 2006). One of the benefits of family ownership to firm value is that managers have a long-term perspective of growth and therefore to achieve growth of firm value (Stein, 1988). Gibb Dyer (2006) asserted "family effect" that contributes to the higher performance because these companies possess several resources such as human capital, social capital, family branding and physical and financial assets to increase firm value. Empirical studies on family ownership and control also support this idea, claim that they showed relative higher performance compared to non-family managements (Anderson & Reeb, 2003; Pindado et al., 2011). However, family ownership may provide easy means for exploitation of firm wealth through private account (DeAngelo & DeAngelo, 2000; Shleifer & Vishny, 1997).

Other negative effects of family ownership and control are that conflicts within the family members may cause another kind of agency problem; and they may waste companies' resources to cover up the presenting problems. Family conflict leads to negative publicity. Family control may also cause problem for its cliquish operation. Devaluing attitude of management fails to hire and promote competent human resources and social capital that will eventually bring about financial loss.

In companies that are monitored efficiently, the latter kind of problem may be lessened. Studies provide evidence of this idea empirically that family control with good governance structure or efficient institutional quality (Faccio et al., 2001; Andres, 2008; Villalonga & Amit, 2006). By eliminating certain devaluing factor successfully, family ownership and control has higher business value (Demsetz & Lehn, 1985; Gibb Dyer, 2006). This result is more reliable to the fact that "family effect" by Gibb Dyer (2006) have both positive and negative effect. If the corporate governance system can counterweigh the negative "family effect" then higher probability for better performances may be expected. On the other hand, companies' CSR activities promote favourable reputations to the public (Borghesi et al., 2014; Park et al., 2017). High ownership and controlled firms may need CSP for better reputation in the market for their future performances. Block holders find it beneficial to enhance environmental and social performances (Dyck et al., 2019). However, owner managers may oppose to CSR for investment on CSR is still at a pioneering stage that requires costs where management needs to validate its economic feasibilities. Owner managed firms are often efficiently managed that they do not require corporate governance to involve in (Lilienfeld-Toal & Ruenzi, 2014). This reason supports the idea that high ownership may demonstrate less CSP (Rees & Rodionova, 2015).

CSP Contribution to CFP

Is there positive relationship between CSP and CFP? Not one universal result has been found to state their causality. However, positive, negative and non-relationship have been asserted by various researchers (Brammer & Millington, 2008; Ullman, 1985). The positive relationship between CSP and CFP is based on the assumption that social performance will increase financial performance; otherwise, companies whose objectivity is value maximisation would not adopt CSP to their management activities. Stakeholder theory explains as CSP is part of a managerial behaviour (Donaldson & Preston, 1995; Thompson & Driver, 2005) that by exercising efficient and by moral-based managerial procedures leads to increased financial performance. Companies have incentives of improving

internal welfare system by improving employee-welfare and enhancing monitoring the management. Companies also have an advantage to enhance the market by earning good reputations through CSP (Harijoto & Jo, 2011; Brammer & Millington, 2005, 2008; McMillan, 1996; Jones, 1995) and solve any problems related to conflicts between stakeholders and the company (Freeman, 1984). CSP by non-monetary means to build 'trust' that contributes to monetary value to the companies, value increase (Greening & Turban, 2000). A view that supports positive effects on firm value explains that CSR activities owe to the slack resources of the companies, slack resource theory. It asserts that companies with certain situation, such as slack resources, would invest on CSP (Pava & Krausz, 1996; Waddock & Graves, 1997).

The view that supports negative relationship between CSP and CFP argues that cost incurred from non-managerial account decreases the CFP. Therefore, companies with high CSP decrease the firm value (Friedman, 1970). Another view to negative relationship resorts to agency problem. Managers, the agent, are allowed to use companies' resources exercising their discretionary power to fulfill their own interest rather than maximise the firm value (Jensen & Meckling, 1976). When considering both stakeholders and shareholders to meet their interests, lessened power of shareholder will strengthen self-interested managers to give more discretionary power to pursue their own interests (Williamson, 1964). Agency theory approach is based on political relationship between agents and principles leading to economic consequences. In this context, entrenched managers are inclined to invest more on CSR and to demonstrate high CSP to solve their own problems through reputation building within the society. This is to avoid what condemnations consequences of their deeds of fulfilling selfish interest and to keep their status (Fabrizi et al., 2014; Surrocca & Tribo, 2008). If agency problem can be mitigated by reconciling interests of two parties, it may suggest any chances of increasing function of CFP. Traditionally, managers' discretion to perform value maximization was achieved by endowing managers the ownership (Lilienfeld-Toal & Ruenzi, 2014).

RESEARCH FOCUS

This study focused on the question of relationship between CSP and CFP. Especially, by leveraging on ownership for CSP leads to better performance and increased firm value. One major feature of Korean companies is family ownership and control. This type of governance has cost-side advantage to reduce any conflicting cost between owner and agent; however, their selfish utility seeking

incentives may devalue firm performance. Firms engaged in CSR have certain network formed with their stakeholders that may reduce opportunistic behaviour of managers and devote themselves to improve CFP. Family owned and controlled companies have advantage of operating their firm with more focused and long-term based policies. Implying CSR has impact on enhancing the favourable reputation in the market. Family owned and controlled companies would perform better with better CSR policies by postulating the CSR leads to balanced validity. This study intends to analyse research questions empirically, focusing on the impact of family ownership on CSR and CFP.

The research hypothesis is first, ownership has positive influence on CFP, therefore higher the ownership will likely show higher CFP.

H1: Ownership has positive relationship with CFP.

Second, high ownership-controlled firms' managerial decision is dependent on their owner managers therefore firms' decision on CSR relies on its ownership. Companies will try to form good network in the society with various stakeholders for the long-term strategy. High ownership and controlled companies will try to rely on long-term strategies therefore will likely invest on CSR to perform CSP.

H2: Ownership has positive relationship with CSP.

Third, if the CSR works as good governance tool for the companies then companies with higher CSP will likely to show higher CFP and hence increase firm value.

H3: CSP has positive relationship with CFP.

METHODOLOGY

Research Model and Description

This study employed research methodology of panel data analysis to test the hypotheses. The financial data used in this study were combined format of time-series and cross-section panel data. Implementing panel data analysis is a right tool to analyse this special form of data to estimate efficient outcome. Before going on to regression analysis, correlations of the variables were cross-checked to avoid multicollinearity problem that affect the regression result.

This study first looked at the relationship between ownership and CFP. Then it focused on the role of the ownership that has incentives to increase firm value by investing on CSP. Finally, CSP and CFP relationship were analysed. The examination also combined ownership and CSP to see if this combination affects CFP.

Basic model for the test was as stated in Equation (1).

$$X_i = \alpha + \beta_i X_{it} + u_i + e_{it} \quad (1)$$

The basic model of relationship between CFP and ownership and CSR is CFP = *f*(*Ownership*, *CSP*, *FinancialData*).

The variables used in this study are, the proportion to ownership is measured by fraction of equity holdings by family members of the firm and at least one of the members is engaged in management. Conglomerate form of family ownership and control is one unique feature in Korean firms. *Chaebol* is known as the powerful economic influence in Korean market. *Chaebol* is comprised of the massive subsidiaries that is owned and controlled by the founding family members. Subsidiaries of *Chaebol* are inter-correlated by the stockholding so to enhance voting right which is larger than their cash flow right. Korean fair-trade commission (FTC) makes pronouncement every year to address influential *Chaebol* to restrict equity investment on other companies. This study used annual FTC files to state influential *Chaebol* during the research period. CSP (corporate social performance) is imported from ESG index by Korea Corporate governance service (KCGS). This organisation evaluates companies' performances in terms of social, environmental and corporate governance areas. Environmental assessment was added from 2011. The evaluation is carried out in three separate sections then overall value is given as ESG evaluation. KCGS announces the ESG by rating companies in certain level, ranging from A+, A, B+ and B (and less), except corporate governance part that ranges from A+, A, B+, B, C and D. In this study, the credit A+ is numbered as 1 and the lowest credit B (and less) as 4. Corporate governance credit ranges from 1 to 6. The number "1" indicates the highest ESG (or CSP). Corporate valuation is measured by assessment model that consists of several matters related to each category. For corporate governance; shareholder rights, board, announcement, audit including internal control system and assigning management faults. Social sector involves matters related to employee welfare, fair trade with its cooperative and rival companies, consumer considerations and local community relations. Environmental category consists of environmental strategy and how the organisation of the company is formed to execute that strategy. Other

factors are also considered in the evaluation models such as environmental management, activities, performances and stakeholder relations.

Two proxies for CFP in this study are market to book ratio (MB) and return on asset (ROA). Independent variable, cash ratio is measured by cash and equivalent divided by total asset. This study included this variable to evaluate the impact of cash holding on the CSR. Cash and its equivalent endow discretionary power to managers. In high CSP firms holding large cash in their account, it is thought to be for the sake of shareholder's wealth and to mitigate any possible conflicts that may occur with stakeholders (Arouri & Pijourlet, 2017). Debt ratio indicates capital structure of the company, debt to capital ratio. Capital structure is a good tool to mitigate or prohibit managers' discretionary power by the board (Jensen, 1986). The size of a company is measured by log natural of total asset; growth is measured by sales growth compared to previous year. Age is firm age from its foundation to end of research period. Volatility is measured by both stock volatility and profit volatility using standard deviation of 60 months stock price and standard deviation of five years net income.

The basic model relationship between CSP and CFP is measured by classifying companies into two groups in terms of high CSP and low CSP firms. The basic model for the statistic test is, CFP (*MB*, *ROA*) = *f* (*CashRatio*, *DebtRatio*, *Growth*, *Age*, *ROA*, *Ownership*, *Volatility*, *Industry*).

Data Source

Financial data of Korean companies are collected from Korea Information Service (KIS) data. The companies are all listed companies in KRX market. The research period was five years from 2011 to 2016. CSR performance was imported from ESG index by KCGS. This organisation evaluates Korean companies' performances in terms of social, environmental and corporate governance. Environmental evaluation was added to ESG index in 2011.

Companies are excluded from the data pool if:

1. Their financial or CSP data are unavailable.
2. Companies in the industry are less than 20 during the research period .
3. Companies are under court custody.

Final companies selected in the data pool for the empirical study are total 2,766 companies from 2011 to 2016.

EMPIRICAL RESULTS

Descriptive Statistics

Table 1 summarises mean value of financial data by the respective ESG groups. The highest grade group "1" has only three companies, which means that Korean companies are not active about CSP nor yet have they considered it to be a serious factor. Cash are favoured more by the companies in the lowest group than higher groups. The measure of Debt ratio is higher for companies in the lower groups. The higher group of 1 and 2 were mostly larger in size and ROA. The sizes of the companies were larger as the ESG performance measures were higher. Stock volatility and profit volatility were high in group "2". This table demonstrates the summary (the average value during the study period) of the financial data in the companies classified by ESG rating from 1 to 4. Companies in the group 1 have the highest ESG score and group 4 the lowest.

Table 1
Summary statistics of financial data by ESG group

Variable	ESG			
	1	2	3	4
Cash ratio	0.0465	0.0518	0.0542	0.0538
Debt ratio	0.2999	0.4666	0.4722	0.4061
Size	30.368	29.722	28.656	26.429
Growth	−0.0841	0.0523	0.0011	0.0658
Age	43.745	36.974	42.152	42.103
ROA	0.0361	0.0597	0.0264	0.0155
MB	1.5959	1.7882	1.7559	1.6123
Stock volatility	0.0993	0.1388	0.1315	0.1336
Profit volatility	0.0315	0.0774	0.0654	0.0527
Observation	3	107	294	2,361

One of the problems of statistical regression analysis in this study is that only three companies are in ESG group "1". The number of sample size may not be able to report satisfactory information using statistical method. Therefore, this study regrouped the ESG ration by higher and lower group. The higher group consisted of companies in ESG 1 and 2, and lower group consisted of companies from ESG 3 and 4. The comparison of financial data of two groups of higher and lower group was as summarised in Table 2. The statistical difference between the two groups is tested by t-test. Higher group

show higher measures in debt ratio, size, ROA, MB, profit volatility and ownership. Higher group generates more value compared to the lower group. It supports the fact that the more value generating firms have resources to spend on CSR. The lower group was composed of more numbers of older companies. This trend supports the idea that more aged companies are less likely to work on the CSR (Cochran & Wood, 1984). But companies with better performance and high ownership have worked on the CSR to demonstrate higher CSP. Cash reserve was not significantly different between two groups. The financial data of higher group indicates that companies that devote more on CSR activities had higher profitability and market is reflecting that effort positively. This trend with *Chaebol*'s data in Table 3 supports the slack-resource-theory point of view that the better performance group may have more resources to spare for the CSR (Harijoto & Jo, 2011; Pava & Krausz, 1996, Waddock & Graves, 1997).

Table 2
Comparison of financial data of CSP

Variable	CSP		t-test
	Higher group (ESG = 1, 2)	Lower group (ESG = 3, 4)	
Cash ratio	0.0517	0.0538	−0.0021(−0.3563)
Debt ratio	0.4621	0.4134	0.0487(−2.3341)**
Size	29.739	26.676	3.0638(−23.678)***
Growth	0.0486	0.0586	−0.1005(0.1455)
Age	37.158	42.109	−4.9497(2.9743)***
ROA	0.0591	0.0167	−0.0423(−3.4199)***
MB	1.7830	1.6282	0.1548(−1.9081)*
Stock volatility	0.1378	0.1333	0.0044(−0.6306)
Profit volatility	0.0762	0.0541	0.0221(−1.9495)*
Ownership ratio	0.6563	0.4407	0.0844(5.2072)***
Observation	110	2,655	

Notes: This table demonstrates the difference between high and low ESG rated companies by their financial data. *, **, *** refers to statistical significance at the 10%, 5%, 1%, respectively.

The descriptive statistics shows, in Table 3, *Chaebol,* in average, invest more in CSR than non-*Chaebol*. Approximately 20% of companies in *Chaebol*, i.e., 102 companies, are ranked in the 1 and 2 in ESG whereas only 0.5% represent non-*Chaebol* companies in that rank. Approximately 95% of non-*Chaebol* companies are ranked lowest level of 4 in ESG. This trend is same

with governance, social and environment sectors. Statistics show that *Chaebol* focus on CSP for their market reputation or it supports the slack-resource-theory that companies with good management and with large financial resources can spare their resources to CSP (Ullmann, 1985; Pava & Krausz, 1996; Harijoto & Jo, 2011; Waddock & Graves, 1997).

Table 3
Summary statistics of CSP in Chaebol (n = 586) and non-Chaebol (n = 2,179)

	Rating	*Chaebol* (%)	Non-*Chaebol* (%)	Observation (%)
ESG	1	3 (0.5)	0 (0)	3 (0.1)
	2	99 (16.9)	8 (0.4)	107 (3.9)
	3	188 (32.1)	106 (5.9)	294 (10.6)
	4	296 (50.5)	2,065 (94.7)	2,361 (85.4)
Governance	1	15 (2.6)	0 (0)	15 (0.5)
	2	47 (8)	16 (0.7)	63 (2.3)
	3	195 (33.3)	161 (7.4)	356 (12.9)
	4	209 (35.7)	1,123 (51.5)	1,332 (48.2)
	5	109 (18.6)	828 (38)	937 (33.9)
	6	11 (1.9)	51 (2.3)	62 (2.2)
Social	1	23 (3.9)	1 (0.1)	24 (0.8)
	2	139 (23.7)	15 (0.6)	154 (5.6)
	3	162 (27.7)	141 (6.5)	303 (11)
	4	262 (44.7)	2,022 (92.8)	2,284 (82.6)
Environment	1	1 (0.2)	0 (0)	1 (0.1)
	2	150 (25.6)	18 (0.8)	168 (6.1)
	3	172 (29.4)	340 (15.6)	512 (18.5)
	4	261 (44.5)	1,820 ((83.5)	2,081 (75.3)

Ownership and CFP Relationship

The first hypothesis is to analyse ownership and CFP relationship. Longitudinal panel data analysis was used to test the first hypothesis is summarised in Table 4. The analyses in this study were carried out by classifying the ownership into 5 groups by 20% interval: Own2(1) to Own2(5). Own2(1) is group of companies with inside ownership of 0 to 20%, Own2(2) 21%–40% and so on. The regression result shows that ownership has influence on the ROA in different phases. The highest influence is when Own2(5) with inside ownership

Table 4
Regression result of ownership and CFP

	Independent variable: ROA				Independent variable: MB			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Cash ratio	0.2573 (4.33)***	0.2626 (4.41)***	0.2751 (4.65)***	0.3130 (5.35)***	1.1043 (4.41)***	1.0792 (4.31)***	1.1110 (4.44)***	1.0764 (4.29)***
Debt ratio	−0.3184 (−8.73)***	−0.3161 (−8.66)	−0.3112 (−8.58)***	−0.2890 (−8.06)***	−0.4365 (−2.84)***	−0.4545 (−2.96)***	−0.4304 (−2.81)***	−0.4564 (−2.96)***
Size	−0.0432 (−2.98)***	−0.0422 (−2.90)***	−0.0427 (−2.94)***	−0.0436 (−3.05)***	0.1448 (2.36)**	0.1422 (2.33)***	0.1436 (2.34)**	0.1461 (2.38)**
Growth	0.0139 (3.52)***	0.0144 (3.59)***	0.0135 (3.44)***	0.0136 (3.53)***	0.0848 (5.11)***	0.0843 (5.08)***	0.0852 (5.13)***	0.0849 (5.11)***
Age	−0.0012 (−0.81)	−0.0012 (−0.78)	−0.0013 (−0.88)	−0.0014 (−0.98)	0.0639 (10.12)***	0.0627 (9.92)***	0.0631 (9.97)***	0.0633 (9.99)***
Stock volatility	0.0734 (1.04)	0.0786 (1.11)	0.0704 (1.00)	0.0513 (0.74)	0.6887 (2.31)**	0.6702 (2.25)**	0.6951 (2.33)**	0.7165 (2.40)**
Profit volatility	0.1851 (5.16)***	0.1889 (5.23)***	0.1884 (5.24)***	0.1840 (5.19)***	0.1137 (0.75)	0.0561 (0.37)	0.0702 (0.46)***	0.0776 (0.51)
Ownership	−0.0722 (−1.64)	0.2332 (1.49)	–	–	−0.1611 (−0.87)	−0.6838 (−2.56)**	–	–
Ownership^2		−0.3348 (−2.04)**	–	–		1.6032 (2.32)**	–	–
Chaebol		0.0039 (0.10)	−0.0045 (−0.12)	0.1349 (2.71)***		0.3669 (2.27)**	0.3609 (2.24)**	0.2496 (1.17)
Own2(2)			0.0619 (3.43)***	0.0519 (2.66)***			0.0491 (0.64)	0.0652 (0.78)

(*continue on next page*)

Table 4 (*continued*)

	Independent variable: ROA				Independent variable: MB			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Own2(3)			0.0587 (2.88)***	0.0775 (3.53)***			−0.2381 (−0.28)	−0.0496 (−0.53)
Own2(4)			0.0036 (0.14)	0.07763 (2.80)***			0.0119 (0.11)	−0.0558 (−0.47)
Own2(5)			0.0547 (1.55)	0.4050 (2.81)***			−0.0094 (−0.06)	−0.0361 (−0.22)
*Chaebol**Own2(2)				0.0182 (0.43)				−0.0557 (−0.31)
*Chaebol**Own2(3)				−0.1023 (−2.24)**				0.1295 (0.66)
*Chaebol**Own2(4)				−0.3766 (−6.72)***				0.3161 (1.31)
*Chaebol**Own2(5)				−0.3551 (−3.79)***				0.1661 (0.41)
Constant	1.3569 (3.57)***	1.2631 (3.30)***	1.2665 (3.32)***	1.2593 (3.35)***	−1.8351 (−3.01)***	−4.4635 (−2.77)***	−4.9263 (−3.05)***	−4.9639 (−3.07)***
Within R^2	0.0828	0.0845	0.0910	0.1215	0.0876	0.0920	0.0902	0.0920
Between R^2	0.0180	0.0240	0.0243	0.0306	0.0100	0.0087	0.0103	0.0100
Overall R^2	0.0230	0.0272	0.0273	0.0379	0.0032	0.0024	0.0033	0.0031
F-value	1.85***	1.81***	1.83***	2.00***	9.6***	9.49***	9.42***	9.34***

Notes: *, **, *** refers to the statistical significance at the 10%, 5%, 1%, respectively.

of 80%–100% level. To both of proxies of CFP, ROA and MB, there were quadratic relationships with ownership. Ownership does not show statistical significance to MB. Only the overall trend show that ownership and MB has quadratic relationship. It implies that high ownership has positive power on market value of firm. In terms of ownership and ROA has reverse U-type quadratic relationship. To some level, ownership may have profit efficiency but as it surpasses some level its influence decreases. ROA peaks at Own(2) level that is around 21%–40% level. In addition, *Chaebol* has positive effect on financial performance, being *Chaebol* has incentive to increase market value and also profit efficiency.

Table 4 presents regression result after panel data analysis of firm performance and ownership. The model uses quadratic function to examine the causalities of ownership and firm value. The firm performance is measured by two variables, ROA and MB. Own2(1) to Own2(5) and *Chaebol* are dummy variable. Own2(1) to Own2(5) represents level of ownership. Own2(1) is stockholding ownership by founder family by 0 to 20%; Own2(2) is 20%~40%; Own2(3) is 40%~60%; Own2(4) is 60%~80%; Own2(5) 80%~100%. *Chaebol* is dummy variable to indicate if the company belongs to *Chaebol*. The regression model is:

$$\text{CFP}(ROA,\ MB) = f(CashRatio,\ DebtRatio,\ Size,\ Growth,\ Age,\ StockVolatility,\ ProfitVolatility,\ Ownership,\ Ownership^2) + Dummy\ (Own2,\ Chaebol,\ Own2 * Chaebol)$$

Ownership and CSP

The analysis result of second hypothesis of the relationship between ownership and CSP is as follows. ESG, governance, social, environment, as a proxy of CSP, and financial data are regressed with panel data order-logit analysis. CSP related variables—ESG, corporate governance, social, environmental—are all in ordered rank form that it is efficient to analyse in panel data order-logit model. Careful interpretation is required in this analysis that when CSP is highest is numbered as 1 and the lowest is 4 or 6. Not like usual cases, all the interpretations need reverse way. The results were as summarised in Table 5. Ownership does not have significant impact on CSP except for corporate governance where it shows positive relationship, means negative impact on governance because the lower number the higher CSP. The higher the ownership companies have the less good governance performance. With high ownership and control does not require strict monitoring system because they already seem to earn market reputation overall and as in Table 4, market value of the

firm does not operate by the ownership. Social and environmental situations did not have any influence according to ownership implies that these variables are not dealt seriously with any of the companies operating in Korean market for the moment. The second hypothesis is rejected. But for *Chaebol* case all of the CSP is positively related. *Chaebol* has relatively high CSP level. This result with Table 3 implies that firms with high resources may have head start for CSP.

Table 5 presents regression of order-logit analysis. The ESG is credited from 1 to 4 ranges (Corporate governance, 1 to 6). This analysis uses order-logit regression analysis to examine the causalities of variables (determinants) and ESG in form of credit ranks. The regression model is:

$$\text{CSP}(ESG,\ Governance,\ Social,\ Environment) = f(CashRatio,\ DebtRatio,\ Size,\ Growth,\ Age,\ StockVolatility,\ ProfitVolatility,\ ROA,\ MB,\ Ownership + D.Chaebol)$$

Table 5
Regression result on ownership and CSP

	ESG	Governance	Social	Environment
Cash ratio	−5.1500 (−2.47)**	1.3834 (1.42)	−5.1955 (−3.05)***	−3.1345 (−1.64)
Debt ratio	−0.4672 (−0.63)	1.5570 (4.00)***	0.0122 (0.02)	−0.5655 (−0.78)
Size	−1.8824 (−11.54)***	−0.8820 (−11.60)***	−1.5427 (−12.12)***	−1.9510 (−12.35)***
Growth	0.4315 (1.20)	0.2616 (3.85)***	0.4559 (1.62)	0.31.7 (1.11)
Age	0.0151 (1.65)*	0.0163 (3.25)***	0.0058 (0.77)	−0.0046 (−0.49)
Stock volatility	0.3941 (0.23)	−0.1597 (−0.17)	1.4035 (0.97)	5.4159 (3.03)***
Profit volatility	−2.0556 (−2.37)**	−0.2692 (−0.50)	−1.0115 (−1.36)	−1.0848 (−1.73)*
ROA	−0.6166 (−0.98)	−0.6699 (−1.77)*	0.2611 (0.05)	−1.1585 (−1.73)*
MB	−0.1810 (−1.30)	0.0492 (0.64)	−0.2592 (−2.24)**	0.3599 (2.10)**

(*continue on next page*)

Table 5 (*continued*)

	ESG	Governance	Social	Environment
Ownership	0.6135 (0.65)	1.4504 (3.10)***	−0.4121 (−0.54)	0.0928 (0.11)
Chaebol	−1.4717 (−3.57)***	−0.8153 (−3.17)***	−1.7117 (−5.05)***	−0.6208 (−1.44)
Wald χ^2	237.06***	290.66***	296.37***	244.47***
LR χ^2	230.84***	594.96***	231.56***	626.48***

Notes: *, **, *** refers to the statistical significance at the 10%, 5%, 1%, respectively.

Ownership, CSP and CFP relationship

Finally, the last hypothesis of CSP and CFP relationship is analysed and summarised in Table 6. CSP does not have any significant effect on ROA, however, when combined with ownership, especially Own(4) and Own(5), they have negative influences on ROA. When ownership is increases and CSP increases, then ROA decreases. When at Own(4) level affects ROA the worst. So that ownership and CSP interaction makes inefficient outcome for firm performance. The CSP and MB(CFP) is positively related. CSP is good news to the market. It helps companies to gain good reputations in the market to contribute their value increase. The statistical result supports that ownership is a significant factor for financial performance. The third hypothesis is partly supported.

Table 6 presents panel data analysis of firm performance and ownership including CSP. The model uses quadratic function to examine the causalities of ownership and firm value. The firm performance is measured by two variables, ROA and MB. Own(1) to Own(5) are dummy variable. Own(1) to Own(5) represents level of ownership. Own(1) is stockholding ownership by founder family by 0 to 20%; Own(2) is 20%~40%; Own(3) is 40%~60%; Own(4) is 60%~80%; Own(5) 80%~100%. The regression model is:

$$\text{CFP}(ROA,\ MB) = f(CashRatio,\ DebtRatio,\ Size,\ Growth,\ Age,\ StockVolatility,\ ProfitVolatility,\ Ownership,\ Ownership^2,\ ESG,\ Governance,\ Social,\ Environment) + Dummy(Own(*),\ Own(*)*ESG)$$

Table 6
Regression result of ownership, CSP and CFP

	Independent variable: ROA			Independent variable: MB		
	(1)	(2)	(3)	(4)	(6)	(7)
Cash ratio	0.2632 (4.42)***	0.2603 (4.39)***	0.2642 (4.51)***	1.0715 (4.31)***	1.0271 (4.13)***	1.0312 (4.15)***
Debt ratio	−0.3153 (−8.61)***	−0.3209 (−8.82)***	−0.3228 (−8.95)***	−0.5079 (3.33)***	−0.5275 (−3.46)***	−0.5299 (−3.46)***
Size	−0.0428 (−2.91)***	−0.0400 (−2.73)***	−0.0439 (−3.02)***	0.1857 (3.03)***	0.1986 (3.23)***	0.1968 (3.20)***
Growth	0.0144 (3.63)***	0.0135 (3.44)***	0.0138 (3.56)***	0.0812 (4.92)***	0.0785 (4.76)***	0.0487 (4.77)***
Age	−0.0006 (−0.62)	−0.0015 (−0.97)	−0.0009 (−0.61)	0.0687 (10.66)***	0.0674 (10.45)***	0.0675 (10.45)***
Stock volatility	0.0812 (1.15)	0.0802 (1.14)	0.0742 (1.07)	0.6585 (2.23)**	0.6553 (2.22)**	0.6499 (2.20)**
Profit volatility	0.1866 (5.15)***	0.1976 (5.51)***	0.2125 (5.99)***	0.1257 (0.84)	0.1453 (0.97)	0.1536 (1.02)
Ownership	0.2284 (1.46)	−0.2995 (−3.67)***	−0.2735 (−3.36)***	−1.8333 (−2.80)***	−4.2759 (−4.04***)	−4.2999 (−4.03)***
Ownership^2	−0.3283 (−1.99)**		–	1.7941 (2.61)**	4.4137 (3.84)***	4.4483 (3.82)***
ESG	−0.0055 (−0.45)	−0.0049 (−0.39)	−0.0175 (−0.54)	−0.1139 (−2.20)**	−0.1071 (−2.07)**	−0.2737 (−1.99)**

(*continue on next page*)

Table 6 (*continued*)

	Independent variable: ROA			Independent variable: MB		
	(1)	(2)	(3)	(4)	(6)	(7)
Governance	−0.0034 (−0.71)	−0.0036 (−0.75)	−0.0039 (−0.83)	0.0056 (0.28)	0.0051 (−0.25)	0.0039 (0.19)
Social	0.0098 (1.15)	0.0096 (1.13)	0.0067 (0.80)	0.0485 (1.37)	0.0459 (1.29)	0.0441 (1.24)
Environment	−0.0080 (−0.99)	−0.0101 (−1.26)	−0.0050 (−0.62)	0.1689 (5.03)***	0.1644 (4.90)***	0.1660 (4.93)***
Own(2)		0.1035 (4.86)***			0.3141 (2.99)***	−0.2704 (−0.48)
Own(3)		0.1218 (3.02)***			0.3138 (2.26)**	−0.4845 (−0.83)
Own(4)		0.1282 (3.02)***			0.2537 (1.42)	−0.6201 (−0.91)
Own(5)		0.2294 (3.91)***			−0.0994 (−0.38)	−0.9466 (−0.82)
Own(2)*ESG			−0.0312 (−0.94)			0.1495 (1.06)
Own(3)*ESG			0.0201 (0.59)			0.2062 (1.42)
Own(4)*ESG			0.1594 (4.05)***			0.2254 (1.35)

(*continue on next page*)

Table 6 (*continued*)

	Independent variable: ROA			Independent variable: MB		
	(1)	(2)	(3)	(4)	(6)	(7)
Own(5)*ESG			0.1454 (2.09)***			0.2154 (0.73)
Constant	0.2992 (3.31)***	1.3004 (3.34)***	1.4134 (3.50)***	−6.1550 (−3.76)***	−6.2115 (−3.80)***	−5.5141 (−3.22)***
Within R^2	0.0859	0.0981	0.1205	0.1020	0.1088	0.1098
Between R^2	0.0256	0.0226	0.0184	0.0078	0.0075	0.0073
Overall R^2	0.0290	0.0292	0.0323	0.0019	0.0016	0.0015
F-value	1.79***	1.85***	1.96***	9.72***	9.40***	9.33***

Notes: *, **, *** refers to sthe statistical significance at the 10%, 5%, 1%, respectively.

A further analysis of regression to examine high and low ESG companies demonstrate differed causality by classifying the companies into high and low group by CSP. The reason for this test is because the proportion of the lower ESG Companies is large therefore it might dilute the statistical result. The result is identical with previous analysis that CSP does not show direct influence on CFP, neither ROA nor MB. One to take note is corporate governance has different direction of relationship with ROA. When at higher CSP group, governance is negatively related to ROA means when in lower ESG group it is positive relationship. This may mean that lower CSP companies with more investment on corporate governance increase their accounting profit. Finally, Lower CSP companies invest less on the environment increase MB. Environmental regulations are being strengthened where its significance is required by public increasingly. Companies may find burdened to invest to introduce environmental system to its management circulations. Therefore, the news is not welcoming to shareholder of these companies.

The first two columns of Table 7 present regression result after panel data analysis of firm performance and ownership. The model uses quadratic function to examine the causalities of ownership and firm value. The firm performance is measured by two variables, ROA; MB. *Chaebol* is dummy variable to indicate if the company belongs to *Chaebol*. The regression model is:

$$\text{CFP}(ROA,\ MB) = f(CashRatio,\ DebtRatio,\ Size,\ Growth,\ Age,\ StockVolatility,\ ProfitVolatility,\ Ownership,\ Ownership^2) + Dummy\ (Chaebol)$$

The latter two columns of this table present the panel data analysis of firm performance and CSP, ownership. The model uses quadratic function to examine the causalities of ownership and firm value. The regression model is:

$$\text{CFP}(ROA,\ MB) = f(CashRatio,\ DebtRatio,\ Size,\ Growth,\ Age,\ StockVolatility,\ ProfitVolatility,\ Ownership,\ Ownership^2,\ ESG,\ Governance,\ Social,\ Environment)$$

Table 7
Regression result ownership, CSP and CFP when ESG groups are classified

	Independent variable: ROA		Independent variable: MB		Independent variable: ROA		Independent variable: MB	
	Higher group ESG = 1 or 2	Lower group ESG = 3 or 4	Higher group ESG = 1 or 2	Lower group ESG = 3 or 4	Higher group ESG = 1 or 2	Lower group ESG = 3 or 4	Higher group ESG = 1 or 2	Lower group ESG = 3 or 4
Cash ratio	0.2436 (0.40)	0.2578 (5.15)***	−1.3734 (−0.89)	1.0115 (3.98)***	−0.2019 (−0.33)	0.2614 (5.21)***	2.2170 (1.09)	1.0244 (4.08)***
Debt ratio	0.2833 (0.99)	−0.3289 (−10.49)***	−1.8466 (−2.53)**	−0.5296 (−3.32)***	−0.0881 (−0.30)	−0.3301 (−10.52)***	−1.5357 (−1.56)	−0.5279 (−3.36)***
Size	0.0048 (0.961)	−0.0045 (−0.35)	−1.1371 (−4.48)***	0.2135 (3.30)**	−0.0809 (−0.80)	−0.0034 (−0.26)	−0.1034 (−0.31)	0.2292 (3.58)***
Growth	−0.0474 (−1.25)	0.0188 (5.67)***	0.0763 (0.79)	0.0821 (4.88)***	−0.0704 (−1.86)*	0.0193 (5.81)***	0.01223 (0.10)	0.0805 (4.83)***
Age	−0.0195 (−1.89)*	−0.0007 (−0.52)	0.0258 (0.98)	0.0677 (10.30)***	−0.0130 (−1.24)	−0.0005 (−0.35)	−0.0054 (−0.16)	0.0739 (11.09)***
Stock volatility	0.3778 (1.52)	0.0809 (1.27)	1.00104 (1.59)	0.7699 (2.38)**	0.4233 (1.77)*	0.0839 (1.31)	0.0701 (0.09)	0.7374 (2.30)**
Profit volatility	−1.8444 (−1.81)*	0.1261 (4.11)***	−4.2957 (−1.65)	0.1469 (0.94)	−2.5064 (−2.49)**	0.1213 (3.96)***	−4.0241 (−1.21)	0.1797 (1.17)
Ownership	7.7853 (3.20)***	0.0490 (0.37)	−9.4919 (−1.53)	−1.8264 (−2.72)**	5.3267 (2.16)**	0.0327 (0.25)	−3.9273 (−0.48)	−2.2381 (−3.37)***
Ownership^2	−14.082 (−6.05)***	0.0286 (0.21)	10.064 (1.69)*	1.7193 (2.43)**	−11.6823 (−4.94)***	0.0343 (0.25)	4.1696 (0.54)	2.1769 (3.11)***

(*continue on next page*)

Table 7 (*continued*)

	Independent variable: ROA		Independent variable: MB		Independent variable: ROA		Independent variable: MB	
	Higher group ESG = 1 or 2	Lower group ESG = 3 or 4	Higher group ESG = 1 or 2	Lower group ESG = 3 or 4	Higher group ESG = 1 or 2	Lower group ESG = 3 or 4	Higher group ESG = 1 or 2	Lower group ESG = 3 or 4
Chaebol	0.02885 (0.19)	−0.0713 (−2.10)**	2.7291 (7.11)***	0.2536 (1.47)	–	–	–	–
ESG	–	–	–	–	−0.0868 (−0.79)	0.0106 (0.88)	−0.0877 (−0.24)	−0.0381 (−0.63)
Governance	–	–	–	–	0.0968 (3.33)***	−0.0068 (−1.66)*	0.0417 (0.44)	0.0011 (0.06)
Social	–	–	–	–	0.0662 (1.89)	0.0047 (0.62)	0.0695 (0.60)	0.0439 (1.15)
Environment	–	–	–	–	0.0380 (0.85)	−0.0041 (−0.55)	−0.0954 (−0.64)	0.1202 (3.25)***
Constant	−0.1099 (−0.04)	0.2522 (0.76)	35.0987 (4.60)***	−6.4920 (−3.83)***	2.7107 (0.89)	0.193035 (0.57)	6.8402 (0.68)	−7.5253 (−4.41)***
Within R^2	0.9306	0.1117	0.6155	0.1019	0.9458	0.1117	0.1388	0.1128
Between R^2	0.3509	0.0835	0.0022	0.0069	0.4071	0.1220	0.0277	0.0064
Overall R^2	0.0574	0.0690	0.0061	0.0014	0.0721	0.0907	0.0191	0.0012
F-value	10.52***	2.36***	18.47***	9.01***	12.12***	2.32***	11.16***	8.98***

Notes:*, **, *** refers to the statistical significance at the 10%, 5%, 1%, respectively.

DISCUSSION

This study examined the relation between CSP and CFP based on ownership of the firms. Studies on this topic, so far, do not have universal theory to explain causational relationship between CSP and CFP. Although Friedman (1970) or other neo-classicists claim that market will do all the work to solve the problem of maintaining society, many others are sceptical of market system and claim that CSP have significant effects on the market. This study examined the effect of ownership of company to its CSP and CFP. High ownership of the management possesses several advantages such as it brings more efficiency for the management under the condition that governance is efficient and sound. On the other hand strong ownership and control leads to strong discretionary power may result in inefficient operation of the firm and thus cause poor CFP.

The results are as follows. First, ownership and CFP has quadratic relationship. For ROA as a proxy for CFP, reverse U-type with ownership that to some level ROA increases but decreases after a certain threshold. This means that high ownership will decrease CFP. Quadratic relationship is also supported by the relationship between MB ratio and ownership only that to some point the market value of the company decreases but increases after a certain threshold, U-type relationship. MB and ownership relationship suggests the lowest point is when ownership is approximately 21%. This result complies with Morck et al. (1990) that ownership has negative effect on firm performance between 5%–25%. Moreover, quadratic relationship between performances and ownership is asserted by several other studies as well (Stulz, 1988; McConnell & Servaes, 1990). Second, ownership and CSP does not show any relevant relationship. Only when CSP is broken into three categories, one of which corporate governance shows negative impact on governance. The increase of family ownership decreases the governance efficiency. The result does not state that ownership is a definite negative determinant, but Korean companies have propensity to show this trend. Finally, CSP and CFP relationship show interesting result. CSP can be negative to efficiency side of financial performance such as ROA, but it has its role in the market where with MB it was positively related. When CSP and ownership interacts makes negative relationship with ROA. High ownership and control featured management working on CSP leads to inefficient profitability. The impact of independent variables to ROA and MB differs by the high and low CSP groups. Companies do not concern much of CSP but of which environment factor was significant. This, may be, is due to enhanced institutionalised movement from the government. In addition to above hypothesised results, this study also indicates high CSP companies are larger in size and showed relatively less growth rate and stably profitable companies.

Most of the companies in the high CSP group are companies that belong to *Chaebol.* The profit volatility and ownership are higher for the higher rated group. In some sense the result supports the idea that better performed companies including *Chaebol* with slack resource engage in corporate social activities than less financial resource companies hence support slack-resource theory.

This study contributes in a manner that empirical analysis suggests the strategical operation of companies for better value growth. The results imply that CSP is a significant factor for CFP when ownership and control is high. CSP is yet to be not much of a concern in the Korean market. The fact that most companies in the data pool used in this study were rated in lower group also supports the idea that Korean companies concern toward CSP is not significant in the local market and lack of social capital of trust between stakeholders and management in the society perhaps is formed yet (Borghesi et al., 2014). This study could find only a few highly performed companies or companies with financial resources lead the CSP in the market for the moment. To summarise, in the Korean market CSP is yet to be considered as a reliable index for firm reputation or network with stakeholders of the companies.

High ownership is not a discouraging factor for CFP. However, when it is combined with CSP decreases the financial performance of the firms. Market value for CSP is positive. CSP has its role to control internal inefficient management style and organisational culture to perform better (Harijoto & Jo, 2011; Brammer & Millington, 2005; 2008; McMillan, 1996; Jones, 1995). However, for the management of Korean companies regarding CSP as cost occurring activities but ironically it is indispensable and sometimes obligatory. They will need to seek for productive CSP that brings about efficiency to the firm value.

LIMITATION

The result of the study has its limitations that high proportions of the companies in the data are rated low on CSP. Less CSP concern of the companies means less institutionalised for CSP in the market for the moment. Agents in the market have yet taken any considerations of CSP. Change of the attitudes of agents and institutionalising movement are to be checked and examined in the market for the future research.

REFERENCES

Anderson, R., & Reeb, D. (2003). Founding-family ownership and firm performance: Evidence from the S&P 500. *Journal of Finance*, *98*(3), 1301–1328. https://doi.org/10.1111/1540-6261.00567

Andres, C. (2008). Large shareholders and firm performance: An empirical examination of founding-family ownership. *Journal of Corporate Finance*, *14*, 431–445. https://doi.org/10.1016/j.jcorpfin.2008.05.003

Arouri, M., & Pijourlet, G. (2017), CSR performance and the value of cash holding: International evidence. *Journal of Business Ethics*, *140*, 263–284.

Berle, A. A., & Means, G. C. (1932). *The modern corporation and private property*. New York: The Macmillan Company.

Bragdon, J., & Marlin, J. (1972). Is pollution profitable? *Risk Management*, *19*(4), 9–18.

Brammer, S., & Millington, A. (2005). Corporate reputation and philanthropy: An empirical analysis. *Journal of Business Ethics*, *61*, 29–44. https://doi.org/10.1007/s10551-005-7443-4

Brammer, S., & Millington, A. (2008). Does it pay to be different? An analysis of the relationship between corporate social and financial performance. *Strategic Management Journal*, *29*(12), 1325–1343. https://doi.org/10.1002/smj.714

Borghesi, R. Houston, J., & Naranjo, A. (2014). Corporate socially responsible investments: CEO altruism, reputation, and shareholder interests. *Journal of Corporate Finance*, *26*, 164–181. https://doi.org/10.1016/j.jcorpfin.2014.03.008

Cochran, P., & Wood, R. (1984). Corporate social responsibility and financial performance. *Academy of Management Journal*, *27*(1), 42–56. https://doi.org/10.5465/255956

DeAngelo, H., & DeAngelo, L. (2000). Controlling stockholders and the disciplinary role of corporate payout policy: A study of the Times Mirror Company. *Journal of Financial Economics*, *56*, 153–207. https://doi.org/10.1016/S0304-405X(00)00039-8

Demsetz, H. (1983). The structure of ownership and the theory of the firm. *Journal of Law and Economics*, *23*(2), 375–390.

Demsetz, H., & Lehn, K. (1985). The structure of corporate ownership: Causes and consequences. *Journal of Political Economy*, *93*(6), 1155–1177. https://doi.org/10.1086/261354

Demsetz, H., & Villalonga, B. (2001). Ownership structure and corporate performance. *Journal of Corporate Finance*, *7*, 209–233. https://doi.org/10.2139/ssrn.266101

Donaldson, T., & Preston, L. (1995). The stakeholder theory of the corporation: Concepts, evidence and implication. *Academy of Management Review*, *20*(11), 65–91. https://doi.org/10.5465/amr.1995.9503271992

Dyck, A. Lins, K., Roth, L., & Wagner, H. (2019). Do institutional investors drive corporate social responsibility? International evidence. *Journal of Financial Economics*, *131*, 693–714. https://doi.org/10.1016/j.jfineco.2018.08.013

Fabrizi, M., Mallin, C., & Michelon, G. (2014). The role of CEO's personal incentives in driving corporate social responsibility. *Journal of Business Ethics*, *124*(2), 311–326. https://doi.org/10.1007/s10551-013-1864-2

Faccio, M., Lang, P., & Young, L. (2001). Dividend and expropriation. *American Economic Review*, *91*, 54–78. https://doi.org/10.1257/aer.91.1.54

Freeman, R. (1984). *Strategic management: A stakeholder approach* (Pitman Series in Business and Public Policy). Boston: Pitman.

Friedman, M. (1970). The social responsibility of business is to increase its profits. *New York Times Magazine*, *33*, 122–126.

Gibb Dyer, Jr. W. (2006). Examining the "Family Effect" on firm performance. *Family Business Review*, *95*(4), 253–273. https://doi.org/10.1111/j.1741-6248.2006.00074.x

Greening, D., & Turban, D. (2000). Corporate social performance as a competitive advantage in attracting a quality workforce. *Business and Society*, *39*(3), 254–280. https://doi.org/10.1177/000765030003900302

Harijoto, M., & Jo, J. (2011). Corporate governance and CSR Nexus. *Journal of Business Ethics*, *100*(1), 45–67. https://doi.org/10.1007/s10551-011-0772-6

Hermalin, B., & Weisbach, M. (1988). The determinants of board composition. *RAND Journal of Economics*, *19*, 589–606. https://doi.org/10.2307/2555459

Jensen, M. (1986). Agency cost of free cash flow, corporate finance and takeovers. *The American Economic Review*, *76*(2), 323–329.

Jensen, M., & Meckling, W. (1976). Theory of the firm, managerial behavior, agency cost, and ownership structure. *Journal of Financial Economics*, *3*, 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Jones, T. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of Management Review*, *20*(2), 404–437.

Lakonishok, J., & Lee, I. (2001). Are insider trades informative? *The Review of Financial Studies*, *14*(1), 79–111. https://doi.org/10.1093/rfs/14.1.79

Lilienfeld-Toal, U., & Ruenzi, S. (2014). CEO ownership, stock market performance and managerial discretion. *The Journal of Finance*, *69*(3), 1013–1050.

McMillan, G. (1996). Corporate social investments: Do they pay? *Journal of Business Ethics*, *15*(3), 309–314. https://doi.org/10.1007/BF00382956

McConnell, J., & Servaes, H. (1990). Additional evidence on equity ownership and corporate value. *Journal of Financial Economics*, *27*, 595–612. https://doi.org/10.1016/0304-405X(90)90069-C

McPhee, W. (2014). A new sustainability model: engaging the entire firm. *Journal of Business Strategy*, *35*(2), 4–12. https://doi.org/10.1108/JBS-11-2013-0106

Mikolajeck-Gocejina, M. (2016). The relationship between Corporate Social Responsibility and Corporate Financial Performance: Evidence from empirical studies. *Comparative Economic Research*, *19*(4), 67–84. https://doi.org/10.1515/cer-2016-0030

Morck, R., Shleifer, A. & Vishny, R. (1988). Management ownership and market valuation: an empirical analysis. *Journal of Financial Economics*, *20,* 293–315. https://doi.org/10.1016/0304-405X(88)90048-7

Palmer, T., & Flanagan, D. (2016). The sustainable company: Looking at goals for people, planet and profits. *Journal of Business Strategy*, *37*(6), 28–38. https://doi.org/10.1108/JBS-09-2015-0095

Park, E., Kim, K., & Kown, S. (2017). Corporate social responsibility as a determinant of consumer loyalty: An examination of ethical standard, satisfaction, and trust. *Journal of Business Research*, *76*, 8–13. https://doi.org/10.1016/j.jbusres.2017.02.017

Prahalad, C., & Hamel, G. (1994). Strategy as a field of study: Why search for a new paradigm? *Strategic Management Journal*, *15*, 5–16. https://doi.org/10.1002/smj.4250151002

Pava, M., & Krausz, J. (1996). The association between corporate social-responsibility and financial performance: The paradox of social cost. *Journal of Business Ethics*, *15*(2), 321–357. https://doi.org/10.1007/BF00382958

Pindado J., Requejo, I., & de la Torre, C. (2011). Family control and investment-cash flow sensitivity: Empirical evidence from the Euro Zone. *Journal of Corporate Finance*, *17*, 1389–1409. https://doi.org/10.1016/j.jcorpfin.2011.07.003

Rees, W., & Rodionova, T. (2015). The influence of family ownership on corporate social responsibility: An international analysis of publicly listed companies. *Corporate Governance: An International Review*, *23*(3), 184–202. https://doi.org/10.1111/corg.12086

Shleifer, A., & Vishny, R. (1986). Large shareholders and corporate control. *Journal of Political Economy*, *94*(3), 461–488.

Shleifer A., & Vishny, R. (1997). A survey of corporate governance. *The Journal of Finance*, *52*(2), 737–783.

Shleifer, A., & Wolfenzon, D. (2002). Investor protection and equity markets. *Journal of Financial Economics*, *66*(1), 3–27. https://doi.org/10.1016/S0304-405X(02)00149-6

Stein, J. (1988). Takeover threats and managerial myopia. *Journal of Political Economy*, *96*, 61–80.

Stulz, R. (1988). Managerial control of voting rights: Financing policies and the market for corporate control. *Journal of Financial Economics*, *20*, 25–54. https://doi.org/10.1016/0304-405X(88)90039-6

Surrocca, J., & Tribo, J. (2008). Managerial entrenchment and corporate social performance. *Journal of Business Finance and Accounting*, *35*(5–6), 748–789. https://doi.org/10.1111/j.1468-5957.2008.02090.x

Thompson, G., & Driver, C. (2005). Stakeholder champions: how to internationalize the corporate social responsibility agenda. *Business Ethics A European Review*, *14*(1), 56–66.

Ullmann, A. (1985). Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance of U.S. firms. *Academy of Management Review*, *10*(3), 540–557. https://doi.org/10.5465/amr.1985.4278989

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics*, *80*, 385–417. https://doi.org/10.1016/j.jfineco.2004.12.005

Waddock, S., & Graves, B. (1997). The corporate social performance-financial performance link. *Strategic Management Journal*, *18*, 303–319. https://doi.org/10.1002/(SICI)1097-0266(199704)18:4%3C303::AID-SMJ869%3E3.0.CO;2-G

Williamson, O. (1964). The economics of organization: The transaction cost approach. *American Journal of Sociology*, *87*(3), 548–577.