



**Corporate Social Responsibility Practices and Performance: The Moderating Effect of
Family Control**

By

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Abstract

Companies face pressures of legitimacy and social acceptance in the markets where they operate (Yang, Su, & Fam, 2012). These pressures are accentuated by new trends in sustainable development (Bonsón & Bednárová, 2015; Caravedo, 2011; Vives & Peinado-Vara, 2011). In this sense, corporate social responsibility (CSR) has become a valuable tool for companies in their search for legitimacy and recognition on the part of society.

Understanding the relationship between CSR and economic performance enables companies to adopt practices based on complementarity between economic, social and environmental aspects that help improve their interests together with those of their stakeholders (Valenzuela, Jara-Bertin, & Villegas, 2015). In contexts characterized by a high degree of ownership concentration, such as the Colombian case, understanding this relationship can help family businesses increase their legitimacy and economic performance (Lindgreen, Swaen, & Johnston, 2009).

The purpose of this descriptive-quantitative study was twofold. On the one hand, it seeks to determine the relationship between the implementation of CSR practices and economic performance. On the other, it seeks to identify the effect of family control on the CSR-Performance relationship. For this, we studied a sample of 55 companies listed on the stock exchange of Colombia during the period 2010-2017. The analysis was performed with multiple regression models estimated from the GMM method. Three findings are highlighted: (a) No evidence was found about a relationship between the family character and the adoption of CSR practices; (b) Evidence was found on a direct relationship between the adoption of CSR practices and economic performance; and (c) the family character does not influence the CSR-Performance relationship.

Keywords: Family Business, Corporate Social Responsibility, Economic Performance

Resumen Ejecutivo

Las empresas enfrentan presiones de legitimidad y aceptación social en los mercados donde operan (Yang et al., 2012). Estas presiones se acentúan por las nuevas tendencias en el desarrollo sostenible (Bonsón & Bednárová, 2015; Caravedo, 2011; Vives & Peinado-Vara, 2011). En este sentido, la responsabilidad social corporativa (RSC) se ha convertido en una herramienta valiosa para las empresas en su búsqueda de legitimidad y reconocimiento por parte de la sociedad.

Comprender la relación entre la RSC y el desempeño económico permite a las empresas adoptar prácticas basadas en la complementariedad entre aspectos económicos, sociales y ambientales que ayuden a mejorar sus intereses junto con los de sus grupos de interés (Valenzuela et al., 2015). En contextos caracterizados por un alto grado de concentración de la propiedad, como el caso colombiano, comprender esta relación puede ayudar a las empresas familiares a aumentar su legitimidad y desempeño económico (Lindgreen et al., 2009).

El propósito de este estudio descriptivo-cuantitativo fue doble. Por un lado, busca determinar la relación entre la implementación de prácticas de RSC y el desempeño económico. Por otro lado, busca identificar el efecto del control familiar en la relación RSC-Desempeño. Para ello, estudiamos una muestra de 55 empresas que cotizan en la bolsa de valores de Colombia durante el período 2010-2017. El análisis se realizó con modelos de regresión múltiple estimados a partir del método GMM. Se destacan tres hallazgos: (a) No se encontró evidencia sobre una relación entre el carácter familiar y la adopción de prácticas de RSC; (b) Se encontró evidencia sobre una relación directa entre la adopción de prácticas de RSC y el desempeño económico; y (c) el carácter familiar no influye en la relación RSC-Desempeño.

Palabras clave: Empresa Familiar, Responsabilidad Social Corporativa, Desempeño Económico

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Introduction

Understanding the relationship between economic performance and CSR is essential for companies, as it allows them to adopt practices that combine their interests with those of their stakeholders. In this way they find a balance between economic, social and environmental aspects (Fernández, Jara-Bertin, & Villegas, 2015). Although many studies refer to the relationship between CSR and performance, it remains as an empirically unresolved matter. In the business setting, CSR is replacing an approach initially based solely on economic benefits to favor a wider conception besides the economic aspects, also considering social and environmental factors (Paulík, Sobeková, Tykva, & Červinka, 2015). The debate on whether this new approach may be related to better economic performance has been given increasing prominence in literature. The first works were carried out at the beginning of the 70s in response to Friedman's skeptical position towards CSR (Friedman, 1970) and today they continue to arouse the interest of academia and entrepreneurial community in view of the lack of consensus regarding results. Studies have documented both linear (positive, negative, neutral) and nonlinear (U-shaped and inverted U) relationships.

These contradictory results have been explained by the inclusion of variables that may moderate the relationship. The literature has explored how some characteristics of companies and the environment can moderate the CSR-performance relationship. Most of the studies that have addressed this relationship include characteristics of companies such as size, age, ownership structure, innovation, and strategy that can act as moderating variables in the relationship (Javed, Rashid, & Hussain, 2016). Similarly, some studies have shown how context can help or limit the development of CSR (Wang et al., 2016).

On the other hand, in the Colombian case according to the Superintendencia of Colombian Companies, 46% of Colombian companies are family businesses (Superintendencia de Sociedades, 2012). However, previous studies suggest this percentage

is close to 70% (Superintendencia de Sociedades, 2006). In the case of companies listed on the Colombian Stock Exchange, previous studies classify 56% of companies as family members (e.g., Gómez-Betancourt, López, Betancourt, & Millán, 2012; González, Guzmán, Pombo, & Trujillo, 2012). The concentration of power is common in family enterprises (Acero & Alcalde, 2016). The unification of the ownership and control mitigates agency problems given that aligns the interests of shareholders and managers (Carney, 2005). However, the controlling shareholders also can use their power to gain benefits at the expense of the interests of minority shareholders (Kraakman et al., 2004).

Understanding how CSR affects the performance of family businesses can help this type of company to create competitive advantages that allow them to extend their legacy to future generations. However, despite the broad development in the study of the family business (Xi, Kraus, Filser, & Kellermanns, 2015), there is little empirical evidence that has focused on studying the influence of property and family control in the CSR-Performance relationship. A study on the relationship between CSR and economic performance will allow Colombian businesses to count with solid arguments to incorporate elements of CSR within their organizational strategy to obtain not only economic benefits, but also helping improving conditions of stakeholders. In this way, businesses will be able to improve levels of acceptance in the community as a way to respond to increasing pressures of sustainable development: improved labor rights and preservation of the environment (Bonsón & Bednárová, 2015; Vives & Peinado-Vara, 2011).

The purpose of this descriptive-quantitative study was twofold. On the one hand, it seeks to determine the relationship between the implementation of CSR practices and economic performance in companies listed on the Colombian Stock Exchange during the 2010-2017 period. On the other hand, it seeks to identify the effect of family control on the CSR-Performance relationship. Three findings stand out: (a) there was no relationship

between family control and the adoption of CSR practices. This suggests that the family character of companies is not a decisive element in the intention of companies to adopt CSR strategies, therefore, family and non-family companies invest in CSR practices seeking to obtain economic benefits, and at the same time, resolve reputation issues (Faller & Zu Knyphausen-Aufseß, 2018). In general, each company prioritizes the stakeholders it wants to attend, without implying that some are more responsible than the others; (b) evidence of a direct relationship between the adoption of CSR practices and economic performance was found, result consistent with stakeholder theory; and (c) the family character does not influence the CSR-Performance relationship.

This study provides empirical evidence on the Colombian market to validate or refute the findings from other countries. Incorporating the effect of family ownership into the analysis of the CSR-Performance relationship is transcendental in emerging markets. Although the development and adoption of CSR practices is nothing new, just up recently in emerging countries is gaining relevance that has in the United States, Japan and most of Europe (El-Kassar, ElGammal, & Fahed-Sreih, 2018). Companies in emerging countries have understood implementation of CSR practices contributes to reducing the competitiveness gaps opposite their counterparts in the developed countries (Idemudia, 2011), situation that has generated a growing interest in these countries by CSR and its possible effects on performance (El-Kassar et al., 2018).

The rest of this document is organized in following manner, Chapter I presents the definition of the research problem. Chapter II presents the literature review relating to the implementation of CSR practices, family control and performance. Later, Chapter III presents the methodology for this research. Chapter IV presents the research results. These were published in the International Journal of Economics and Financial Issues. Finally, Chapter V delivers conclusions and recommendations derived from this work.

Chapter I: Introduction

Background of the Problem

Although organizational culture varies from company to company, firms are interested in enhancing their social legitimacy (Yang et al., 2012) to avoid reduced support from diverse social actors (Scott, 2008). Research shows legitimacy pressures for companies is increasing (Vives & Peinado-Vara, 2011). This has led to a revival of the debate about company responsibility with their stakeholders. In this sense, some authors consider that "the success of a company implies that vision and values that do not cease to arise at it, be at the service of the common good" (Martínez-Echevarría, 2011, p. 144). This point of view stands in contrast to classical stockholder management thinking to consider that the sole responsibility of a company is to use resources in the most efficient way to increase profits according to the game rules (Friedman, 1970).

Because of this trend, CSR has become a valuable tool for companies in their quest for legitimacy and recognition by society, therefore companies meet the new challenges to pursue economic benefit (reducing risks, boosting productivity and competitiveness and improving profits), while also pursuing social benefit (contributing to create a more favorable and inclusive social context, with greater benefit for all society) (Caravedo, 2011). First reviews in this area were conducted in the early 1970s in response to Friedman's skeptical position towards CSR, but still today CSR continues to attract interest from researchers, companies, policymakers and the society in general (Gómez, 2008).

Understanding the relationship between economic performance and CSR is essential for companies, as it allows them to adopt practices that combine their interests with those of their stakeholders. In this way they find a balance between economic, social and environmental aspects (Fernández, Jara-Bertin, & Villegas, 2015). Although many studies refer to the relationship between CSR and performance, it remains as an empirically

unresolved matter. Some studies have found the adoption of CSR practices has a positive effect on performance, while others have shown there is a negative effect or there is even no evidence of any effect (Allouche & Laroche, 2005; Cavaco & Crifo, 2014; Miras, Carrasco, & Escobar, 2014; Orlitzky, Schmidt, & Rynes, 2003; Revelli & Viviani, 2015; Wu, 2006). Several studies suggest the contradictory results are due to methodological aspects that include differences in CSR and performance measurements, as well as omission of variables that may moderate the CSR-performance relationship (e.g., Choongo, 2017; Endrikat, Guenther, & Hoppe, 2014; Javed, Rashid, & Hussain, 2016; Orlitzky et al., 2003; Reverte, Gómez-Melero, & Cegarra-Navarro, 2016; Tang, Hull, & Rothenberg, 2012; Theodoulidis, Diaz, Crotto, & Rancati, 2017; Wang et al., 2016; Wang & Sarkis, 2017). The aim of this study is to provide empirical evidence for the Colombian case that allows to validate or refute the findings of studies conducted in other countries.

Statement of the Problem

The percentage of family businesses that reach a successful transit to next generation is low (Gallo, Klein, Montemerlo, Tomaselli, & Cappuyns, 2009). Previous studies have shown only 33% of family businesses manage to move to second generation, while only 12% reach the third generation, and 3% the fourth generation (Credit Suisse, 2015). Low level of survival in family businesses is related to the lack of knowledge and inadequate management of dynamics of family businesses. (Rivera & Israel, 2013). Due to overlap of three subsystems present in family businesses as business, property and family, (Tagiuri & Davis, 1996), these companies must face problems of the management of any company together with the inherent risk of family relations (Guzmán & Trujillo, 2012; Suárez & Santana-Martín, 2004).

As well, adoption of CSR practices can help family businesses increase their legitimacy and economic performance (Lindgreen et al., 2009), In such a way, chances of

successfully passing to the next generations can be improved. Although Colombian Stock Exchange is carrying out programs for listed companies for developing their sustainability reports according to the newest standard from the Global Reporting Initiative (GRI4), this trend is not supported by empirical evidence for Colombian market where family control and the adoption of CSR practices are related to economic performance.

Purpose of the Study

The purpose of this descriptive-quantitative study is twofold. On the one hand, it seeks to determine the relationship between the implementation of CSR practices and economic performance in companies listed on the Colombia Stock Exchange during the 2010-2017 period. On the other, it seeks to identify the effect of family control on the CSR-Performance relationship.

In order to analyze the relationship between CSR practices and economic performance, regression models will be used. Economic performance will be represented by the return on equity (ROE). CSR practices will be identified through information disseminated by the companies to the market. This information will be specifically collected from the content of the company's yearly reports. The analysis of content is the most widely used method to study the dissemination of CSR practices in annual reports (Patten, 2002; Zeghal & Ahmed, 1990).

According to Villalonga y Amit (2006) companies will be classified as family members when the shareholder with the most voting rights is a family or a family group. Likewise, variables will be included to control aspects that literature has associated with economic performance and with implementation of CSR practices (level of indebtedness, growth in sales, size of the company, contest, operational sector). Some studies have suggested the existence of endogeneity between economic performance and the

implementation of CSR practices (McWilliams & Siegel, 2000; Sial, Chunmei, Khan, & Nguyen, 2018), to mitigate this problem was used GMM.

Significance of the Problem

The Organization for Economic Cooperation and Development has recognized that corporate governance is not limited to the relationships existing between shareholders and the management team (OECD, 2016). This implies companies must consider other aspects related to governance, such as relationships with their employees, environmental and ethical considerations and the fight against corruption, among others. The benefits of CSR have recently gained importance as an object of study (Cheung, Jiang, & Tan, 2012). Nevertheless, since results are not conclusive, the connection between CSR and performance is still an open question (Brammer & Millington, 2008).

This study provides empirical evidence on the Colombian market to validate or refute the findings from other countries. Incorporating the effect of family ownership into the analysis of the CSR-Performance relationship is transcendental in emerging markets. Although the development and adoption of CSR practices is nothing new, just up recently in emerging countries is gaining relevance that has in the United States, Japan and most of Europe (El-Kassar et al., 2018). Companies in emerging countries have understood implementation of CSR practices contributes to reduce the competitiveness gaps opposite their counterparts in the developed countries (Idemudia, 2011), situation that has generated a growing interest in these countries by CSR and its possible effects on performance (El-Kassar et al., 2018).

Elsewhere, characteristics of emerging markets as less institutional maturity, less efficient market mechanisms, major problems of Agency, greater concentration of ownership and less guidance to stakeholders (Shleifer & Vishny, 1997) can affect the analysis. In this sense, multiple studies have found that the CSR-performance relationship is influenced by the

institutional context (e.g., El Ghouli et al., 2016; Labelle, Hafsi, Francoeur, & Amar, 2018; McGuire, Dow, & Ibrahim, 2012; Wang et al., 2016). All of the above, raises the need to develop empirical evidence in emerging countries.

In Colombia, according to the Superintendence of Colombian Companies, 46% of companies are family businesses (Superintendencia de Sociedades, 2012). However, previous studies suggest this percentage is close to 70% (Superintendencia de Sociedades, 2006). In the case of companies listed on the Colombian Stock Exchange, previous studies classify 56% of companies as family members (e.g., Gómez-Betancourt, López, Betancourt, & Millán, 2012; González, Guzmán, Pombo, & Trujillo, 2012). Understanding how CSR affects performance of family businesses can help this type of company to create competitive advantages that allow them to extend their legacy to future generations.

However, despite the broad development in the study of the family business (Xi et al., 2015), there is little empirical evidence that has focused on studying the influence of property and family control in the CSR-Performance relationship. A study on the relationship between CSR and economic performance will allow Colombian businesses to count with solid arguments to incorporate elements of CSR within their organizational strategy to obtain not only economic benefits, but also helping improving conditions of stakeholders. In this way, businesses will be able to improve levels of acceptance in the community as a way to respond to increasing pressures of sustainable development: improved labor rights and preservation of the environment (Bonsón & Bednárová, 2015; Vives & Peinado-Vara, 2011).

Nature of the Study

Since objectives of this study include: (a) determining the relationship between implementation of CSR practices and economic performance; and (b) identifying if this relationship is different in family and nonfamily companies, this study will use a quantitative

approach, since through hypothesis testing it is possible to establish differences between groups or to relate two or more factors in a situation (Sekaran & Bougie, 2016).

In order to analyze the relationship between the implementation of CSR practices and economic performance, in this study, hierarchical regression models were used. As well, to avoid possible endogeneity problems estimated regression models were used from Generalized Method of Moments (GMM) (Sial et al., 2018; Wintoki, Linck, & Netter, 2012).

Research Questions

The research questions that will guide this study are:

- Does family business are more likely to adopt corporate social responsibility practices?
- Does CSR practices influence economic performance in Colombian firms?
- Does family control affect the relationship between CSR practice and economic performance?

Hypothesis

Several studies have shown that family businesses present some characteristics that differentiate them from non-family companies, such as long-term orientation (Brigham, Lumpkin, Payne, & Zachary, 2014; Lumpkin, Brigham, & Moss, 2010), the presence of family members in top management and a concern for the reputation of the company and the family (Anderson, Mansi, & Reeb, 2003). The distinctive aspects of family businesses are highly compatible with CSR. Most of the studies have raised the expectation of finding higher levels of CSR in companies that have family groups as controlling shareholders (e.g. Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Cruz, Larraza-Kintana, Garcés-Galdeano, & Berrone, 2014; Faller & Zu Knyphausen-Aufseß, 2018). Given the strong concern for the reputation of the company and the family, those businesses are more willing to meet the interests of their stakeholders

(Huang, Ding, & Kao, 2009; Niehm, Swinney, & Miller, 2008; Zellweger & Nason, 2008), this makes them more willing to develop CSR actions (Berrone et al., 2010; Bingham et al., 2011; Block & Wagner, 2010; Dyer & Whetten, 2006; Gómez-Mejía et al., 2007; Zellweger et al., 2013). Taking notice about this line, the following hypothesis is proposed for Colombian case:

H₁: Family business are more likely to adopt corporate social responsibility practices (higher family control, higher CSR indicators)

From the legitimacy standpoint, CSR recognizes that in exchange for the capacity to develop their operations in a good way, businesses face social expectations and limitations that force them to go beyond legal parameters (Kuznetsov, Kuznetsova, & Warren, 2009). This implies that although businesses may adopt CSR practices for moral or ethical reasons, they generally do it to improve their economic performance and the well-being of their shareholders (Kuznetsov et al., 2009) since different stakeholders may exert pressure on a business if they think that this business is not acting as expected. CSR has added a wider conception than to incorporate social and environmental aspects pursuing economic performance (Paulík et al., 2015). Literature has shown that businesses with stronger CSR orientation in their activities can improve economic performance (e.g., Allouche & Laroche, 2005; Orlitzky et al., 2003; Wu, 2006). Based on these studies, the following hypothesis is proposed for Colombian case:

H₂: The implementation of CSR practices is positively related to economic performance (ROE) in Colombian firms (higher CSR indicators, higher economic performance).

The highest intention towards implementation of CSR in family businesses (H₁), added to the positive relationship between CSR practices and performance (H₂) suggests that family control can be a variable that moderates the CSR-performance relationship. The

concentration of ownership can theoretically have positive or negative effects on the CSR-performance relationship (Faller & Zu Knyphausen-Aufseß, 2018). In this sense, this work raises the peculiarities of family businesses are related to the decision to implement or not practices of CSR and therefore may have a moderating effect on the CSR-performance relationship. On the one hand is the focus of expropriation which suggests that family businesses are less likely to invest in the implementation of given CSR practices that have greater incentive to divert those resources to other activities (El Ghouli et al., 2016).

On the other hand, is the approach of the reputation and long-term suggesting that family businesses are more likely to invest in the implementation of CSR practices given their interests to improve its reputation and that of the family with their stakeholders (Albert & Whetten, 1985; Whetten & Mackey, 2002). This work is focused on the approach of reputation and long-term in the same hypothesis H_{2a} suggesting a greater propensity towards the adoption of CSR practices in family businesses. In this sense, it can be thought that family control can be a moderator of the CSR-performance relationship. Considering all of the above, the following hypothesis of moderation is proposed:

H₃: The influence of CSR on economic performance will be moderated by family control. Specifically, family control strengthens the positive relationship between CSR and economic performance (ROE).

Theoretical Framework

Implementation of CSR practices

Companies invest part of their resources in the implementation of CSR practices, mainly by the potential economic benefits and reputation issues (Faller & Zu Knyphausen-Aufseß, 2018). Profits seem to be the most obvious reason for its implementation (Dam & Scholtens, 2012). From this perspective, CSR is an investment that involves incurring the short-term costs for their implementation, while its results could be evident only in the long

term (Cox, Brammer, & Millington, 2004; Jia & Zhang, 2013). These implementation costs reduce profits available for distribution, limiting the potential income of the shareholders (Faller & Zu Knyphausen-Aufseß, 2018, p. 20). However, these expect potential incomes increased in long term. The other element that can lead to the implementation of CSR strategies is the improvement in corporate reputation (Campopiano, De Massis, & Cassia, 2014; Klonoski, 1986; Schafer & Goldschmidt, 2010). Literature has shown that reputation and stakeholder support vision prevails before economic considerations (Faller & Zu Knyphausen-Aufseß, 2018).

Stakeholder theory has been used to operationalize the CSR concepts (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010) and in recent years it has become the dominant approach in the study of the implementation of CSR practices (Jamali & Mirshak, 2007). The stakeholder theory states that since companies are immersed in society (they benefit from it) they have responsibility for the improvement of social welfare (Freeman, Wicks, & Parmar, 2004). This implies leaving aside the maximization of value for shareholders as the predominant purpose in companies to move towards the consideration of the interests of other stakeholders (Freeman et al., 2010).

Family control and CSR practices

Family businesses have characteristics that distinguish them from other types of companies and that have turned them into an interesting object of study (Lagos, 2017). In this sense, multiple studies have raised that family businesses are characterized by longer investment horizons (Jensen & Meckling, 1976; Miller & Breton-Miller, 2006; Sirmon & Hitt, 2003; Ward & Aronoff, 1991; Ward, 1997), less prone to conflicts of interest between shareholders and managers (Berle & Means, 1932; Jensen & Meckling, 1976), greater risk aversion (Faller & Zu Knyphausen-Aufseß, 2018; Shleifer & Vishny, 1997), a higher level of trust, altruism and paternalism among its members (James, 1999), higher choice of

expropriation of minority shareholders (Almeida & Wolfenzon, 2006; Anderson & Reeb, 2003; Jara-Bertin, López-Iturriaga, & López-de-Foronda, 2008; Morck & Yeung, 2003; Tran, 2014; Villalonga, Amit, Trujillo, & Guzmán, 2015), higher propensity to combine economic and non-economic objectives (Adams, Manners, Astrachan, & Mazzola, 2004; Aparicio, Basco, Iturralde, & Maseda, 2017; Sharma, Chrisman, & Chua, 1997; Ward, 1997; Zellweger, 2006) and greater concern for the reputation of the company (Anderson et al., 2003; Miller & Le Breton-Miller, 2005), among others.

Multiple studies have suggested that these and other features of family-owned businesses may be linked to differences found in several studies that compare family and non-family businesses. For example, in economic performance (Anderson & Reeb, 2003, 2004; Andres, 2008; Block, Jaskiewicz, & Miller, 2011; Brenes, Madrigal, & Requena, 2011; Chu, 2011; Galve & Salas, 1993; Gómez-Betancourt et al., 2012; González et al., 2012; Martínez, Stöhr, & Quiroga, 2007; Maury, 2006; San Martin-Reyna & Duran-Encalada, 2012), the valuation of the company (Maury & Pajuste, 2005; Villalonga & Amit, 2006) and cost of capital (Attig, Guedhami, & Mishra, 2008; Boubakri, Guedhami, & Mishra, 2010; Ebihara, Kubota, Takehara, & Yokota, 2014; Lagos, 2017), among other topics discussed.

The concentration of ownership can theoretically have positive or negative effects on the CSR-performance relationship (Faller & Zu Knyphausen-Aufseß, 2018). In this sense, this work raises the peculiarities of family businesses are related to the decision to implement or not practices of CSR and therefore may have a moderating effect on the CSR-performance relationship. On the one hand is the focus of expropriation which suggests that family businesses are less likely to invest in the implementation of given CSR practices that have greater incentive to divert those resources to other activities (El Ghoual et al., 2016).

On the other hand, is the approach of the reputation and long-term suggesting that family businesses are more likely to invest in the implementation of CSR practices given

their interests to improve its reputation and that of the family with their stakeholders (Albert & Whetten, 1985; Whetten & Mackey, 2002). Then these two theoretical approaches are presented.

Expropriation approach

Using this approach, it is suggested that family businesses have a greater incentive to divert resources that could be devoted to CSR practices (El Ghouli et al., 2016). Given the power of the controlling families, there is a greater likelihood that controlling shareholders seek private gain at the expense of the interest of minority shareholders (Almeida & Wolfenzon, 2006; Anderson & Reeb, 2003; Bae, Kang, & Kim, 2002; Bertrand, Mehta, & Mullainathan, 2002; De Angelo & De Angelo, 2000; Jara-Bertin et al., 2008; Morck & Yeung, 2003; Tran, 2014; Villalonga et al., 2015). For example, multiple studies have shown that family businesses are characterized by a greater propensity to distribute dividends, which translates into a lower investment in the business (De Angelo & De Angelo, 2000), less destination of resources for research and development programs (Anderson, Duru, & Reeb, 2012) and the existence of practices of tunneling (Bae et al., 2002; Bertrand et al., 2002).

In summary, from the perspective of expropriation is given that controlling families have a greater incentive to use its position in the structure of ownership and control in their benefit. In this sense, they seek to invest the resources that could be used for the implementation of CSR practices in other projects of interest.

Reputation and long-term horizon approach

Family businesses are more likely to combine economic objectives with non-economic objectives (Adams et al., 2004; Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Sharma et al., 1997; Ward, 1997; Zellweger, 2006; Zellweger, Sieger, & Halter, 2011). Among these non-economic objectives are a concern marked by the reputation of the company (Berrone et al., 2010; Deephouse & Jaskiewicz, 2013) and the intention to move the

company to future generations (Anderson & Reeb, 2003; Gómez-Mejía et al., 2007; Lumpkin et al., 2010). These two elements, which are closely linked, are essential in the decision to implement CSR practices in family enterprises.

Firstly, there is consensus that one of the objectives of the implementation of CSR practices is to improve the reputation of the company with its stakeholders (Albert & Whetten, 1985; Whetten & Mackey, 2002). The theory of organizational identity (Bingham et al., 2011) proposes that individuals who have a closer link with the organization are more concerned about corporate reputation (Bingham et al., 2011) given that it is not easy to unlink its image of the organization (Zellweger, Nason, Nordqvist, & Brush, 2013). Family businesses are a specific case of this situation. In these companies, the concern for the reputation arises because the consciousness that exists about that when they venture into a business, in addition to the company's reputation, also is put at stake the reputation of the family (Anderson & Reeb, 2003; Berrone et al., 2010; de Vries, 1993; Deephouse & Jaskiewicz, 2013; Dyer & Whetten, 2006; Miller & Le Breton-Miller, 2005; Post, 1993; Schulze, Lubatkin, & Dino, 2003; Ward, 2016; Zellweger, Sieger, & Halter, 2011).

Secondly, the intention to move the company to the next generations allows that results in family businesses can be seen over a long-term horizon (de Visscher, Aronoff, & Ward, 2016; Miller & Breton-Miller, 2006; Sirmon & Hitt, 2003; Ward, 1997) resulting in a more efficient investment (James, 1999; McNulty, Yeh, Schulze, & Lubatkin, 2002; Zellweger, 2007). This broad investment horizon allows family businesses to develop relationships with real commitments in the long term with its stakeholders (Miller & Le Breton-Miller, 2005).

In short, the reputation and long-term approach raises that family businesses are more likely to invest in the implementation of CSR practices since they help to improve its

reputation, as well as facilitate and implement long-term relations with its stakeholders that maximize the value of the company (Bénabou & Tirole, 2010; Jensen, 2002).

Firm performance

Performance measurement is a complex task that involves multiple dimensions (Dess & Robinson, 1984). Its complexity has led to the use of different approaches from financial and non-financial measurements, or through a combination of these (Chong, 2008; Makanyeza, Chitambara, & Kakava, 2018). According to Henri (2004), financial measures try to reflect the result of the planning-control cycle from a cybernetic view, while non-financial measurements are based on a holistic view that considers performance as an independent process included in a more complete set. wide range of activities. Financial measures can include indicators such as return on investment (ROI) (e.g., Lonial & Carter, 2015), return on assets (ROA) (Lonial & Carter, 2015; Taticchi, Tonelli, & Cagnazzo, 2010), return on equity (ROE) (Carini, Comincioli, Poddi, & Vergalli, 2017), profit to revenue ratio, cash flow from operations, net profit, market share gain, revenue growth (e.g., Lonial & Carter, 2015) and Tobin's Q (e.g., Price & Sun, 2017). While non-financial measures may include indicators to approximate customer satisfaction, internal processes and learning and growth (e.g., Tang, 1998), cultural aspects in dealing with the environment (e.g., Hudson, Smart, & Bourne, 2001), new product development, capacity to develop competitive profile, service quality as perceived by customers, capacity to develop a unique competitive profile, market orientation, and development or investment in R&D (e.g., Lonial & Carter, 2015).

Based on the theoretical framework described above, the following research model is proposed.

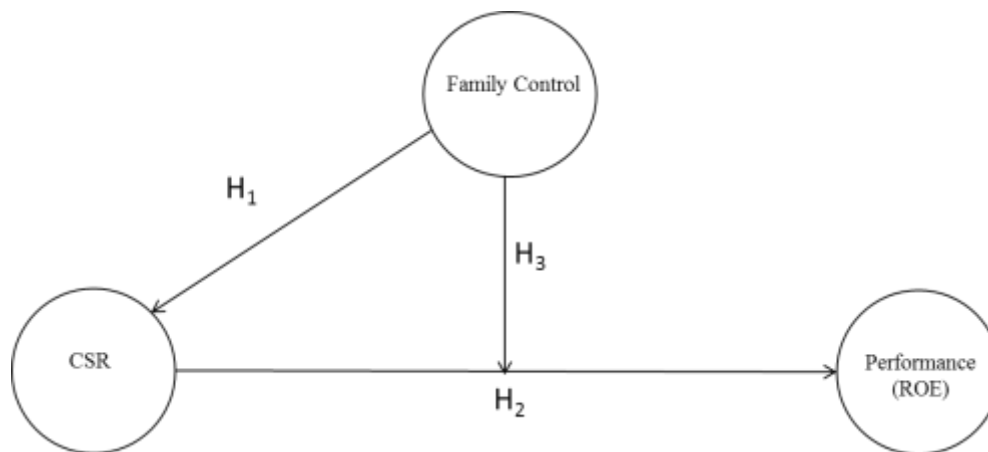


Figure 1. Theoretical model.

In the previous model, the variable Family Control seeks to determine how the relationship between the adoption of corporate social responsibility practices and performance can be affected depending on the presence of the family in the company's ownership structure.

Definition of Terms

Stakeholder management as “the proposition that business corporations can and should serve the interests of multiple stakeholders” (Preston & Sapienza, 1990, p. 361).

Stakeholder “is any group or individual that can affect or be affected by the realization of an organization’s purpose” (Freeman et al., 2010, p. 26).

Corporate social responsibility refers to “the practices that are part of the corporate strategy which complement and support the main business activities, explicitly seek to avoid damage and promote the well-being of stakeholders by complying with the law and voluntarily going beyond it” (Peinado-Vara, 2006, p. 62).

Legitimacy pressure. The degree of pressure businesses get to adopt business practices that are considered acceptable in the market where they operate (Scott, 2008).

ROE. An indicator that represents the return on equity; is the ratio between net income and equity (Andres, 2008).

Internal stakeholders. Individuals or groups who are directly and/or financially involved in the operational process (Freeman et al., 2010).

External stakeholders. Individuals or groups who are indirectly influenced by the organization's operations (Freeman et al., 2010).

Family Business. A business in which a family is the largest participation shareholder with voting rights (Villalonga & Amit, 2006).

Assumptions

Some assumptions of this study are presented below: (a) CSR incorporates responsible activities to satisfy a need from the society that goes beyond legal requirements (Abels & Martelli, 2012; Lindgreen, Swaen, & Johnston, 2009). Therefore, practices that are immersed in the legal Colombian framework and have been reported by the businesses are excluded from CSR measurements; (b) although many studies use participation of the family property in the business, this study assumes that family control is a better criterion to approach the family nature of businesses, since the mere fact of being the owner does not necessarily imply that the business is under their control (Oswald & Jahera, 1991); (c) the literature has proposed that non-financial performance measures are related to financial measurements. For example, Banker, Potter, & Srinivasan (2000) showed that customer satisfaction is significantly associated with future financial performance. It is assumed that the ROE is an indicator that reflects the performance of the company. The ROE has been widely used in studies that analyze the CSR-Performance relationship (Orlitzky et al., 2003; Wang et al., 2016); and (d) a content analysis allows us to identify more suitably CSR strategies developed by companies.

Limitations

The limitations of this study are: (a) the sample is composed by listed companies on the Colombia Stock Exchange; as a result of bias in the selection related with economic

performance; (b) regarding the previous limitation, this proposal contemplates Colombian businesses only, which possess particular characteristics that generalize results to Latin American businesses difficult; (c) the study does not intend to collect information on people belonging to other stakeholders; it is recognized that this approach might complement public information available on companies; (d) In the measurement of CSR, different strategies have been used (content analysis, indexes, interviews and surveys, etc.). We opted for content analysis given that few companies in Colombia report their CSR practices through indices such as Ethos or GRI. Similarly, experience has shown that listed companies are less prone to participate in studies conducted through surveys or interviews. Although CSR will be measured based on an analysis of content, some practices may be left outside the analysis. Although companies are not obliged to disclose information about CSR practices that they have developed during the year, it is customary that they are included in the annual reports. However, smaller companies may perform and disclose to a lesser extent CSR that can tilt the sample towards companies with higher market capitalization; (e) this study uses a definition of family business based on family control; it is recognized that despite the progress made in the area of family business, there is no consensus on a definition; and (f) it is recognized that performance measurement is a complex task that involves multiple dimensions (Dess & Robinson, 1984) that can be approximated from financial and non-financial measurements, or by a combination of these (e.g., Chong, 2008; Makanyeza et al., 2018). Due to the limited information on companies, this study only focuses on the measurement of performance from a financial perspective (ROE).

Future research could be designed to address these limitations. Most of the limitations of this study relate to the character of the company listed in the sample. Future research could expand the sample to include also unlisted companies, both from Colombia and other

countries in Latin America. In this way, the size of the sample could be expanded, and generalizations could be made for the Latin American market.

Delimitations

The boundaries of this study are: (a) companies in the sample are listed in the Colombian Stock Exchange; this study does not consider closed companies; (b) the analysis by economic sector is based on six sectors: Industrial, Financial, Agroindustry, Services, Construction and Utilities. A more detailed classification is not used because to avoid little number of businesses would be placed in each category; y (c) although this study incorporates the problem of endogeneity, our objective is not to analyze the causal relationships between CSR and economic performance.

Summary

The purpose of this descriptive-quantitative study is twofold. On the one hand, it seeks to determine the relationship between the implementation of CSR practices and economic performance in companies listed on the Colombian Stock Exchange during the 2010-2017 period. On the other, it seeks to identify the effect of family control on the CSR-Performance relationship. This study adopts a comparative approach between family and nonfamily businesses to determine if the implementation of CSR practices and its possible different connections with economic performance depending on family nature.

A study on the relationship between CSR and economic performance will allow Colombian businesses to count with solid arguments to incorporate elements of CSR within their organizational strategy to obtain not only economic benefits, but also helping improving conditions of stakeholders. In this way, businesses will be able to improve levels of acceptance in the community as a way to respond to increasing pressures of sustainable development: improved labor rights and preservation of the environment (Bonsón & Bednárová, 2015; Vives & Peinado-Vara, 2011). The following chapter presents a literature

review, which contemplates the analysis of the relationship between the implementation of CSR practices and economic performance, in addition to the moderating effect of some variables in said relationship.



Chapter II. Literature Review

CSR is changing in the dynamics of businesses. It is replacing based solely on economic benefits approaches, which are in favor of a wider conception which also considers social and environmental aspects (Paulík et al., 2015). Some authors suggest that businesses that are not committed to the implementation of CSR practices may jeopardize their brand name and reputation, which could diminish their returns (Story & Neves, 2015). In the past three decades, the debate on whether this new approach could be related to a better economic performance of businesses has been given great importance in literature; however, results are far from conclusive (Cavaco & Crifo, 2014).

Some studies have found that the adoption of CSR practices has a positive effect on performance, while others have shown that there is a negative effect or that there is even no evidence of any effect (Allouche & Laroche, 2005; Cavaco & Crifo, 2014; Miras et al., 2014; Orlitzky et al., 2003; Revelli & Viviani, 2015; Wu, 2006). While other studies have found evidence that supports a nonlinear U-shaped relationship (Barnett & Salomon, 2006; Nollet, Filis, & Mitrokostas, 2016) or inverted-U (Gao, Wu, & Hafsi, 2017; Singh, Sethuraman, & Lam, 2017; Sun, Yao, & Govind, 2018). Several studies suggest that the contradictory results are due to methodological aspects that include differences in CSR and performance measurements, as well as the omission of variables that may moderate the CSR-Performance relationship (e.g., Choongo, 2017; Endrikat, Guenther, & Hoppe, 2014; Javed, Rashid, & Hussain, 2016; Orlitzky et al., 2003; Reverte, Gómez-Melero, & Cegarra-Navarro, 2016; Tang, Hull, & Rothenberg, 2012; Theodoulidis, Diaz, Crotto, & Rancati, 2017; Wang et al., 2016; Wang & Sarkis, 2017). This chapter presents a literature review that addresses the relationship between the adoption of CSR practices and economic performance and the moderating effect of some variables in that relationship.

Documentation

Two main academic databases were used in this literature review (Scopus, Science Direct). The review comprised four stages: (a) a general identification of documents. To find documents focusing on the study of the relationship between CSR and economic performance in family businesses, the following four keywords were used as titles of publications, “corporate social responsibility”, “corporate social performance”, “family business”, “family control” and “performance”. Hundred twenty-six articles were identified; (b) refining duplicated studies: at this stage, duplicate articles found in the two databases were refined. This left us with 92 documents for analysis; (c) identification of articles of interest: the abstract, introduction and conclusions of each one of the 92 articles were reviewed to exclude those that were not relevant for the study on the relationship between CSR and performance; and (d) crossed citations. To expand the scope of the search some works mentioned in the documents identified in the third stage were reviewed. The final sample for this review was made up of 47 articles. A summary of the literature review is given in Appendix E.

CSR and Economic Performance

CSR has added a wider conception than to incorporate social and environmental aspects pursuing economic performance (Paulík et al., 2015). In the past three decades, the debate on whether this new approach may be related to better economic performance has been given great prominence in literature. The first studies in this field were developed at the beginning of the 70s in response to Friedman’s skeptical position (Friedman (1970) towards CSR and it continues to arouse the interest of researchers, companies, policymakers and the society in general (Allouche & Laroche, 2005). The main studies that have analyzed the relationship between CSR and performance will be presented:

Aupperle et al. (1985) proposed that the study of CSR should be approached from four different perspectives in the case of firms (economic, legal, ethical and philanthropic).

Aupperle et al. (1985) suggested a variation in approaches and found no correlation between CSR and performance. Specifically, they found that the existence of CSR committees as support in the decision-making process by the board of directors is not associated with better performance. On the contrary, Lindgreen et al. (2009) studied some firms in the United States and found that CSR practices related with clients, suppliers, employees, investors, philanthropic activities and the environment are perceived by managers as elements that enhance or at least do not harm economic performance of a company, while granting legitimacy in the long term.

For Tang, Hull, and Rothenberg (2012) the impact of CSR on performance depends on how the firm develops such strategies (speed, interconnections, regularity and consistency, internal or external approach). In a sample of the United States firms, Tang et al. (2012) found that there is better performance (ROA) when: (a) firms adopt CSR strategies characterized by regularity and consistency; (b) CSR dimensions are related amongst themselves; and (c) companies initially address their CSR strategy to internal stakeholders, to later on, evolve towards a CSR perspective for external stakeholders.

In a sample of United States companies, Eccles, Ioannou, and Serafeim (2012) found that when firms voluntarily adopt long-term environmental and social policies (high sustainability) they display characteristics that tell them apart from firms with a lower degree of sustainability. Specifically, the study by Eccles et al. (2012) showed that high sustainability firms are characterized by: (a) different management mechanisms that have an influence on the board of directors regarding sustainability decisions and compensation of executives after the fulfillment of sustainability objectives; (b) a higher level of commitment towards stakeholders; (c) a long-term temporary horizon in external communications accompanied by a larger proportion of long-term investors; (d) greater attention to non-financial measures with respect to employees; (e) greater emphasis on external environmental

and social norms in the selection, follow-up and measuring of suppliers performance; and (f) a higher level of transparency in the dissemination of nonfinancial information (p.33).

According to Eccles et al. (2012), these features make high sustainability firms show better performance in the long term, both in the stock exchange market and in their reported performance. Also, Eccles et al. (2012) showed that the relationship with performance is stronger in the following sectors: (a) sectors where clients are individual consumers rather than firms; (b) in markets where firms compete based on brands and reputations; and (c) in sectors where products depend significantly on the extraction of large amounts of natural resources.

Torugsa, O'Donohue, and Hecker (2012) found in a sample of Australian firms that the adoption of CSR practices (economic, social, environmental) is influenced by the approach of the firm (shared vision, stakeholder management and strategic proactivity). Torugsa et al. (2012) showed that the economic and social dimensions of CSR tend to be influenced by stakeholder management and strategic proactivity, whereas the environmental dimension of CSR is influenced by the three approaches. These authors show that only the economic dimension of CSR is related to better performance (return on assets and net profits to sales). The study by Belu and Manescu (2013) found, in an international sample (United States, Europe, Japan) that the relationship between CSR and performance (ROA and Tobin's Q) is neutral when heterogeneity is not observed in the firm and past economic performance. However, when a weighted index was used to measure CSR, they found this relationship to be negative.

On the other hand, Cavaco and Crifo (2014) studied the complementary nature of the three dimensions of CSR (human resources, environment, business behavior) and found that there are more synergies when firms jointly develop CSR strategies in the areas of human resources and supply chain. According to Cavaco and Crifo (2014) these synergies generate

mutual benefits and reduce conflicts among stakeholders. They also showed that CSR strategies related to the environment and supply chain are not compatible since there may be conflicts among the stakeholders involved or a considerable investment might be required.

In a sample of firms from Luxembourg; Bocquet, Le Bas, Mothe, and Poussing (2015) found that when firms incorporate CSR into their strategy, they have a larger chance for innovation; on the contrary, firms adopting CSR in response to pressures of the market face negative consequences in terms of innovation which are reflected on a detriment in economic performance. Conversely, Kiessling, Isaksson, and Yasar (2016) showed that Nordic firms having a marked customer orientation in their CSR strategies show better economic performance. This is because customer orientation identifies needs and preferences to provide the proper product or service, a feature that allows them to have better relationships with clients and build brand value through differentiation (Kiessling et al., 2016).

Employees are a fundamental component in the success or failure of adopting CSR practices. In this sense, Story and Neves (2015) studied the impact of CSR strategies on employees from Portuguese firms and how these are reflected in performance. They found that the execution of a task improves when employees identify intrinsically (philanthropy) and extrinsic or strategic motives in CSR practices. Besides, Story and Neves (2015) showed that when employees perceive that their firm invests in CSR practices that combine intrinsic and extrinsic motivation, they tend to make an extra effort in their jobs.

Paulfk et al. (2015) found that the adoption of CSR practices from three dimensions (Economic, Social and Environmental) is not related to performance in commercial banks in the Check Republic, although this country has made significant progress in the adoption of CSR. The study carried out by Crifo, Diaye, and Pekovic (2016) in French firms found that some CSR dimensions (environmental human resources, suppliers) have a positive, distinct

impact on performance; however, the study by Crifo et al. (2016) highlights the fact that the effect on performance is larger when different dimensions of the CSR strategy interact.

Even with the efforts and studies carried out to identify a relationship between CSR and economic performance fractured and changing results led to the conclusions that this may not be worth a generalization (Orlitzky et al., 2003). Given the lack of consensus, meta-analyses have become a useful tool to better understand this relationship, since they allow for an exhaustive interpretation of studies that show heterogeneous results and methodologies (Revelli & Viviani, 2015).

In general, meta-analyses have found that this relationship is positive (Allouche & Laroche, 2005; Miras et al., 2014; Orlitzky et al., 2003; Wu, 2006). Studies showing a negative relationship are scarce. However, some neutral results continue to appear which may be explained based on persisting methodological problems (Gómez, 2008). The first meta-analysis in the area was developed by Orlitzky et al. (2003). It involved the analysis of 52 works that led to the following conclusions: (a) the relationship between CSR and performance is positive; (b) this relationship tends to be bidirectional and simultaneous; and (c) reputation seems to be an important mediator in the relationship.

Two years later, taking advantage of the large number of publications appearing in a wider international context, Allouche and Laroche (2005) analyzed 82 studies and concluded that the relationship between CSR and performance is positive, with its strongest representation in the United Kingdom. Another meta-analysis is the one provided by Wu (2006), who studied 121 works and concluded the following: (a) the size of the firm has a positive effect on the relationship between CSR and performance; (b) performance measurements based on the market are weak predictors as compared with other financial measures, and (c) measurements based on perception reported a stronger relationship between CSR and performance than measurements based on economic performance. Finally, Miras et

al. (2014) developed one of the most recent meta-analyses in which they confirm the existence of a positive and significant relationship between the adoption of CSR practices and performance.

As well, some studies have studied a nonlinear, U-shaped, or inverted U-shaped relationship. A U-shaped relationship suggests that at an early stage companies incur costs that are subsequently recovered (Barnett & Salomon, 2006; Nollet et al., 2016). In this sense, companies to implement CSR strategies must make significant investments that can disadvantage them from the competition. Over time, however, these investments become a competitive advantage (Porter, 1991; Porter & Van der Linde, 1995) that allows them to attract new investments (Cochran & Wood, 1984; Waddock & Graves, 1997), better-trained employees (Greening & Turban, 2000; Turban & Greening, 1996) and improvements in the marketing of their products and services (Fombrun, 1996; Moskowitz, 1972); better performance at the final day.

Continuing the analysis of a nonlinear relationship, or studies suggest that the CSR's impact on the company's performance follows an inverted U relationship. These studies suggest that in first years, after adoption of such practices performance increases steadily, however, after a while, it peaks and then gradually fades in the following years (Singh et al., 2017; Sun et al., 2018). This reduction is presented because as companies invest more resources in CSR strategies they must pass these costs on to their stakeholders (higher prices on products and/or services, lower wages, lower returns on investment) (McWilliams & Siegel, 2000), when they do this they are exposed to losing the support of these stakeholders who end up affecting performance (Gao et al., 2017).

Finally, Miras et al. (2014) suggest that the different types of CSR practices (social, environmental, philanthropic) and how they are disseminated (annual reports, sustainability indices) can have a moderating effect on the relationship. The influence of some variables on the CSR-Performance relationship has been noted in several of the studies presented previously. Next, some studies that include an analysis of the moderating effect from various variables in the CSR-Performance relationship are reviewed.

Moderators in the CSR-Performance Relationship

The literature has explored how some characteristics of companies and the environment can moderate the CSR-Performance relationship. Most of the studies that have addressed this relationship include characteristics of companies such as size, age, ownership structure, innovation and strategy that can act as moderating variables in the relationship (Javed et al., 2016). Similarly, some studies have shown how context can help or limit the development of CSR (Wang et al., 2016).

Regarding size, some studies have found that larger companies can obtain greater benefits from the adoption of CSR practices given that they have more resources to execute said strategies (e.g., Ağan, Kuzey, Acar, & Açıkgöz, 2016; Aguinis & Glavas, 2012; Van Beurden & Gössling, 2008). This does not mean that smaller companies cannot benefit from the adoption of CSR practices, the flexibility of these companies allows them to respond more quickly to the requirements of their stakeholders and, therefore, can benefit from CSR (Dixon-Fowler, Slater, Johnson, Ellstrand, & Romi, 2013).

Regarding ownership, studies have found that the divergence between control rights and cash-flow rights in controlling shareholders negatively influences the CSR-Performance relationship, both in the short and long term (Peng & Yang, 2014). The type of shareholder can also influence the CSR-Performance relationship. Some studies have found that institutional investors consider CSR as an important investment criterion. These investors

expect that the companies in which they invest can satisfy the interests of their stakeholders while generating economic benefits for their shareholders (Alshammari, 2015). Other studies have found that family ownership can influence the adoption of CSR practices because in these companies there is a greater willingness to listen to family stakeholders who are closely connected to the local community (e.g., Huang et al., 2009; Niehm et al., 2008; Zellweger & Nason, 2008).

The age of the companies is a factor that can affect the CSR-Performance relationship. Wang & Bansal (2012) found that in younger companies the possibility of negative effects on the CSR-Performance relationship is greater, given that they lack the skills, knowledge and monetary resources to develop successful CSR strategies.

The strategy has been widely addressed in the study of the CSR-Performance relationship. Endrikat et al. (2014) found that this relationship is more pronounced when the CSR approach is proactive rather than reactive. This is because companies that follow a reactive approach do not develop skills in the management of new technologies, while a proactive approach involves the development of new organizational resources and capabilities that can impact performance (Endrikat et al., 2014). For their part, Wang & Bansal (2012) showed that a long-term orientation in the strategy increases the positive effect on the CSR-Performance relationship, even in smaller companies. In a similar sense, the pace at which companies incorporate CSR has a moderating effect on the CSR-Performance relationship. Tang et al. (2012) found that companies benefit more when they venture into adopting CSR practices gradually and consistently. Tang et al. (2012) suggest that when companies assume a rapid commitment to CSR, they can incur prohibitive financial costs, suboptimal absorption of CSR knowledge and additional investments in complementary resources that diminish the benefits of CSR.

Other factors that may moderate the CSR-Performance relationship that has been addressed in the literature are business reputation, innovation and context. Some studies have shown that the effects of CSR on performance are greater in companies with a better corporate reputation (e.g., Alshammari, 2015; Orlitzky et al., 2003). Similarly, innovation plays a moderating role in the CSR-Performance relationship. Reverte et al. (2016) showed that CSR strategies can increase the innovation potential in companies since they are drivers in the creation of new forms of work, products and services.

Finally, although the development and adoption of CSR practices is not something new, until recently, emerging countries are gaining relevance having in countries like the United States, Japan and most of Europe (El-Kassar et al., 2018). In emerging countries, business leaders have understood that CSR helps to reduce existing gaps in competitiveness against their peers in developed countries (Idemudia, 2011). This perception has been catching on gradually in companies of all types and sizes in emerging markets (El-Kassar et al., 2018).

On the other hand, multiple studies have found that the institutional context may affect the CSR-performance relationship (e.g., El Ghouli et al., 2016; Labelle, Hafsi, Francoeur, & Amar, 2018; McGuire, Dow, & Ibrahim, 2012; Wang et al., 2016). In this sense, Wang et al. (2016) found that the CSR-Performance relationship is stronger in developed countries because they have a more mature institutional system and more efficient market mechanisms than developing countries. As well, El Ghouli et al. (2016) showed that lower levels of CSR in family-owned businesses are concentrated in companies with major problems of agency and countries with weak institutions. Similar results are presented by McGuire et al. (2012) in the cases that exist a combination of entrenchment and family domination, characteristics of family businesses in emerging markets (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). By last, Labelle et al. (2018) they found that concern

about CSR is greater in family enterprises in countries with a strong orientation towards the stakeholders compared with those in more shareholder-oriented countries.

Studies on Family Control and CSR

The study of CSR in family businesses is recent, but has been generating great interest in the literature (Van Gils, Dibrell, Neubaum, & Craig, 2014). Several studies have shown that family businesses present some characteristics that differentiate them from non-family companies, such as long-term orientation (Brigham et al., 2014; Lumpkin et al., 2010), the presence of family members in top management and a concern for the reputation of the company and the family (Anderson et al., 2003). These characteristics are closely related.

On the one hand there is a closer link between the shareholders and the company in family businesses and, therefore, it is more difficult to separate the reputation both at the individual level and at the family level of corporate reputation (Zellweger et al., 2013). That is why the concern over reputation is more pronounced in family enterprises (Anderson & Reeb, 2003; Berrone et al., 2010; De Visscher et al., 2016; Deephouse & Jaskiewicz, 2013; Dyer & Whetten, 2006; Miller & Le Breton-Miller, 2005; Zellweger et al., 2011).

On the other hand, Anderson et al. (2003) state that families are concerned about the survival of the company in the long-term with aim of passing the company on to their descendants, allowing to consider the results in a long (de Visscher, Aronoff, & Ward, 2016; Miller & Breton-Miller, 2006; Sirmon & Hitt, 2003; Ward, 1997) resulting in a more efficient investment in family enterprises (James, 1999; McNulty, Yeh, Schulze, & Lubatkin, 2002; Zellweger, 2007). This broad investment horizon, joined the concern marked by the reputation of the company, allows for family businesses to develop relationships of trust with their stakeholders (Miller & Le Breton-Miller, 2005). This allows family firms to seriously commit with the agreements made with these groups, a situation that leads to greater credibility towards family businesses (Andres, 2008). By last, the presence of family

members in the business' management helps ensuring that conflicts between owners and managers are less frequent (Boubakri et al., 2010), since family members can align actions of the company with their own interests (Anderson et al., 2003).

The distinctive aspects of family businesses are highly compatible with CSR. Most of the studies have raised the expectation of finding higher levels of CSR in companies that have family groups as controlling shareholders (Faller & Zu Knyphausen-Aufseß, 2018). Studies have shown that factors strong identification with the firm, their special goal sets, their family ties, long term survival vision, their risk-averse attitude and concerns for the reputation of the business and the family, as distinctive features of family businesses (e.g., Anderson et al., 2003), largely stimulate CSR strategies (Berrone et al., 2010; Bingham et al., 2011; Block & Wagner, 2010; Dyer & Whetten, 2006; Gómez-Mejía et al., 2007; Zellweger et al., 2013).

The above suggests that the CSR-Performance relationship may be stronger in family businesses. Recent studies have provided evidence in this regard (e.g., Berrone et al., 2010; Bingham et al., 2011; Block & Wagner, 2014; McGuire et al., 2012; Yu et al., 2015). As well Yu, Ding, & Chung (2015) found that the concern to preserve the image of the company generates a greater impact of CSR on performance in family businesses. At his side, Lamb & Butler (2016) found that levels of CSR are stronger when given the combination of a higher percentage of family-owned and when there is a presence of a family CEO. The work of Cui, Ding, Liu, & Wu (2018) showed that family businesses with members of the family as CEO tend to have better performance in CSR. Labelle et al. (2018) showed that when the family control levels are lower, families homeowners invest more in social initiatives to protect its emotional richness.

However, differences in the implementation of CSR practices do not mean that family businesses are more socially responsible than nonfamily businesses. The particular goals of

family businesses may lead to the prioritization of the interests of the family on the other stakeholders that will lead to reductions in the levels of CSR practices (Marques, Presas, & Simon, 2014; McGuire et al., 2012; Wu, Lin, & Wu, 2012). In the same way, prior studies have shown that although features of family businesses may benefit some stakeholders, they may also affect others. Specifically, literature has shown that the vision of survival in the long term and the concern for the reputation of the business lead these companies to better respond needs of external stakeholders (environment, community and clients) (Cruz et al., 2014). However, concerns for control and influence within the company may lead to inadequate responses towards internal stakeholders (employees, management and minority shareholders) (Cruz et al., 2014).

In this sense, multiple studies have shown that there is an inverse relationship between the family nature and implementation of CSR practices (e.g., El Ghouli et al., 2016; Kim & Lee, 2018; McGuire et al., 2012). In these studies, as well as the inverse relationship between family and CSR practices, are particular situations. For example, the study of El Ghouli et al. (2016) showed that the lower performance of family enterprises in terms of CSR focuses on companies with major problems of agency and in countries with weak institutions. At his side, Kim & Lee (2018) found that family businesses run by family CEOs had lower CSR, so that the chaebol companies, these levels were higher. But in the study of McGuire et al., (2012) it was noted that the family character is related positively with levels of CSR, the authors highlight that this relationship changes direction when there is one combination of entrenchment and family domination. Lamb & Butler (2016) they found that the combination of a family CEO and a founding family reduces concern about CSR. By last Labelle et al. (2018) they found that family-owned businesses exhibit lower levels of CSR, form specifies this situation arises when the family control thresholds exceed 36%. Under this condition,

economic considerations prevail on socioemotional wealth and CSR performance begins to decrease.

Summary

In the business setting, CSR is replacing an approach initially based solely on economic benefits to favor a wider conception besides the economic aspects, also considering social and environmental factors (Paulík et al., 2015). The debate on whether this new approach may be related to better economic performance has been given increasing prominence in literature. The first works were carried out at the beginning of the 70s in response to Friedman's skeptical position towards CSR (Friedman, 1970) and today they continue to arouse the interest of academia and entrepreneurial community because of the lack of consensus regarding results.

Studies on the relationship between the implementation of CSR practices and economic performance are more and more frequent (Wu, 2006). However, this relationship remains unsolved. According to Brammer and Millington (2008) the results of these studies are not conclusive. Some studies show a linear positive relationship suggesting that financial benefits of CSR remain in time (e.g., Loureiro, Sardinha, & Reijnders, 2012; Luo & Bhattacharya, 2006; Maignan & Ferrell, 2001; McWilliams & Siegel, 2000; Orlitzky et al., 2003).

In contrast, other studies show that this relationship is linear and negative. This might suggest that firms that do not adopt CSR practices show lower costs as compared with firms that do (Aupperle et al., 1985; Davidson & Worrel, 1988; Vance, 1975). Other studies show that the relationship is nonlinear, u-shaped. These studies suggest that in the early stages of implementation of CSR strategies, companies incur costs that are outweighed by the benefits of such implementation, however, these costs are subsequently recovered (Barnett & Salomon, 2006; Nollet et al., 2016). While other studies raise an in the shape of an inverted-

U relationship, these studies suggest that in the early years, the benefits of adopting CSR practices increase steadily, however, after a while they peak and then fade (Singh et al., 2017; Sun et al., 2018). Nonetheless, other studies show that this nonlinear relationship has the shape of a U; such studies suggest that the best economic performance is seen at the ends of the CSR strategy adoption. Finally, some studies show that the relationship between performance and the adoption of CSR practices is neutral (e.g., Aupperle et al., 1985; Davidson & Worrell, 1990; Lindgreen et al., 2009; McGuire, Sundgren, & Schneeweis, 1988).

These contradictory results have been explained by the inclusion of variables that may moderate the relationship. The literature has explored how some characteristics of companies and the environment can moderate the CSR-Performance relationship. Most of the studies that have addressed this relationship include characteristics of companies such as size, age, ownership structure, innovation and strategy that can act as moderating variables in the relationship (Javed et al., 2016). Similarly, some studies have shown how context can help or limit the development of CSR (Wang et al., 2016).

Conclusion

Although the study of CSR has been expanding in the past few years, none of them analyzed the relationship between CSR practices and economic performance in Colombia. Most of this research has focused on firms in the United States and Europe (Muller & Kolk, 2009). Similarly, it is worth highlighting that there is a remarkable interest in the study of CSR in Asian economies. This study will provide empirical evidence that will fill this knowledge gap.

Most studies and meta-analyses on the relationship between CSR and performance have found this relationship to be positive (e.g., Allouche & Laroche, 2005; Orlitzky et al., 2003; Wu, 2006). Their results show that firms are undertaking more and more socially

responsible actions that enhance their economic performance while at the same time benefit their employees, consumers, communities, environment and society in general (Kanji & Chopra, 2010). It is worth noting that studies showing a negative or neutral relationship between CSR and performance are scarce. However, some neutral results still materialize; a fact that may be explained by the persistence of certain methodological problems (Gómez, 2008).

The inclusion of moderating variables (context, strategy, property) can help to understand the contradictory results of some studies that analyze the relationship between the adoption of corporate social responsibility practices and economic performance. In this sense, the ownership structure is a variable of interest in the Colombian case to address the CSR-Performance relationship. Given the strong concern for the reputation of the company and the family, family businesses are more willing to meet the interests of their stakeholders (Huang et al., 2009; Niehm et al., 2008; Zellweger & Nason, 2008), this makes them more willing to develop CSR actions (Berrone et al., 2010; Dyer & Whetten, 2006) that can generate a greater impact of CSR on performance in this type of family businesses (Yu et al., 2015).

As for the implementation of CSR practices in family enterprises showed that the concentration of ownership can theoretically have positive or negative effects on the CSR-performance relationship (Faller & Knyphausen-Aufseß, 2018). In this sense, this work raises the peculiarities of family businesses are related to the decision to implement or not practices of CSR and therefore may have a moderating effect on the CSR-performance relationship.

To explain these two possibilities, there are two approaches. Firstly, from the perspective of expropriation arises that controlling families have greater incentive to use its position in the structure of ownership and control in their benefit. In this sense, they seek to invest the resources that could be used for the implementation of CSR practices in other projects of interest. Secondly, the reputation and long-term approach raises that family

businesses are more likely to invest in the implementation of CSR practices since they help improve its reputation, as well as facilitate and implement long-term relations with its stakeholders that maximize the value of the company (Bénabou & Tirole, 2010; Jensen, 2002).

Considering the above, it is possible to think of a positive relationship between the family and the implementation of CSR practices (Faller & Knyphausen-Aufseß, 2018) that can enhance the effect of CSR performance.



Chapter III: Method

This study is based on a positivist approach, aimed at obtaining knowledge through statistical analysis of data (Del Canto & Silva, 2013). In this proposal, the hypothetical-deductive method was used to study the relationship between family control and CSR practices with economic performance in companies listed on the Colombian Stock Exchange during the period 2010-2017. The hypotheses were validated by hierarchical regression models through GMM. The dependent variable was the economic performance measured through the ROE. The independent variable was the measurement of the adoption of CSR practices. It was calculated through a content analysis of the annual reports of the companies listed on the Colombian Stock Exchange. The measurement of CSR included 24 practices grouped into four groups: environmental, human resources, product and customers and community involvement (see Appendix B). The moderator variable was family control, it was defined as a family business approach that a company in which a family is a shareholder with the largest share of voting rights (Villalonga & Amit, 2006). Finally, to ensure that the results will not be addressed by the heterogeneity of the companies, it was controlled by variables that the literature has associated with performance and with the implementation of CSR practices (leverage, sales growth, firm size and industry).

To characterize the sample, a descriptive and correlational analysis was carried out for all the variables of the model. The descriptive analysis included tests (t-test) to determine if there are differences between family and non-family companies in the average in all the variables of the model. In the correlation analysis, the variance inflation factor was used to detect multicollinearity problem in the variables (Chatterjee & Hadi, 2015). To verify the hypotheses, hierarchical linear regression models were used where the performance (ROE) was the dependent variable. The regression analysis was done through three models. The first model included the control variables (LEVERAGE, SIZE, GROWTH, AGE, Industry, Year)

and the moderator variable (Family Control). The second model included the measurement of CSR (independent variable), the control variables and the moderating variable to identify the effect of the adoption of CSR practices on performance. Finally, the third model included a term for the interaction between CSR practices and family control, as well as the dependent variable, moderator and control. Each of these models is a hierarchy that expresses the relationships between variables within that level and the set of models specifies how the variables of one level influence the relationships that occur at a different level (Lloreda & Colmenares, 2003).

This chapter presents the methodology used to study the relationship between family control and CSR practices with economic performance. Therefore, the advantages of this methodology are documented. Subsequently, an overview of the population and the way the study sample was selected, is presented. The data sources and the analysis technique are presented below. The chapter ends with an exposition of validity and reliability of the selected technique.

Research Design

This study is based on a positivist approach, aimed at obtaining knowledge through statistical analysis of data (Del Canto & Silva, 2013). In this proposal, the hypothetical-deductive method is used to study the relationship between family control and CSR practices with economic performance in companies listed on the Colombian Stock Exchange, quantitatively. The hypothetical-deductive method links the theory with observation to deduce the phenomenon of study from theory (Newman, 2006). Thus, the hypothetical-deductive method is based on the observation of a phenomenon to be studied. As a result of this observation, some possible hypothesis is proposed to explain the behavior of this phenomenon. Subsequently, the consequences of zed hypothesis are deduced. To conclude if the hypothesis presented has elements that support their validity is verified (Newman, 2006).

Besides, this study adopts a comparative approach between family and nonfamily companies to determine if the implementation of CSR practices and their possible relation to economic performance differs according to the family character of the companies. The hypotheses were validated by hierarchical regression models through GMM. Some studies have suggested the existence of endogeneity between economic performance and the implementation of CSR practices (McWilliams & Siegel, 2000; Sial et al., 2018), to mitigate this problem was used GMM.

Dependent Variable

The dependent variable was the economic performance measured through the ROE. ROE was calculated as the quotient between net income and total equity (Andres, 2008).

Independent Variable

The independent variable was the measurement of the adoption of CSR practices. The measurement of CSR included 24 practices grouped into four groups: environmental, human resources, product and customers and community involvement (see

Given the nature of the research, an informed consent format was not used.

Appendix B). It was calculated through a content analysis¹ of the annual reports of the companies listed on the Colombian Stock Exchange.

For this it was proposed the following process: a) identification of the population, CSR practices was measured through the analysis of the annual reports of the companies listed on the stock exchange in Colombia during the period 2010-2017; (b) selection of the sample, the sampling of the documents was made by convenience, the criterion for inclusion were the availability of the annual report of management; (c) unit of analysis, a unit of grammatical basis, this form were used, phrases and paragraphs that contained words directly related to the implementation of CSR practices, including were analyzed: environmental, environment, environmental policies, environmental management, environmental systems, environmental auditing, conservation, recycling, sustainability, energy, human resources, health and safety, labor inclusion, training plans, assistance/benefits plans, remuneration, employee profiles, employee share purchase schemes, moral issues, industrial relations, product quality, customer complaints/satisfaction, design products, charitable donations and activities,

¹ Content analysis is a method of observation and measurement that allows to observe the behavior of people or organizations from communications they produce (Kerlinger & Lee, 2002). A content analysis aims to identify certain elements that make up a document, among others can be object of analysis: words, phrases or topics which are then classified in the form of variables and categories which allow the explanation of social phenomena under investigation (Fernández, 2002). In this sense, this method of observation can be used to analyze the content of the communications of an organization in order to compare it against a standard (Fernández, 2002). Content analysis highlights three features: a) objectivity, the procedures followed, to be clearly defined, allow the reproduction of the analysis by other researchers who wish to verify the results obtained; b) systematic: the contents are analyzed based on a system applicable to each and every one of the parts of the document; and c) susceptibility of quantification, their results can be expressed in indicators and transform in numerical terms (Fernández, 2002, p. 37). According to Fernández (2002) an analysis of content requires the identification of the population who want to study, the selection of the sample appropriate to the interests and needs of the study, the determination of units of analysis and context as subjects observation, the construction of categories as elements of the investigated qualitative variables, encoding, quantification and analysis of the results found (p. 38).

education, arts, culture, public health and sporting or recreational projects ; d) unit of context, the words defined in the unit of analysis were framed in the implementation of CSR practices in the proposed framework for Goodman et al. (2006) (see

Given the nature of the research, an informed consent format was not used.



Appendix B); (e) definition of categories, were analyze four categories of CSR practices (environmental, human resources, products and customers and community involvement); (f) codification, the unit of enumeration was the presence or absence of the characteristic (Bardin, 1991), in this case the implementation or not of specific practice of CSR. In this way, each one of the 24 practices of CSR was encoded using a dummy variable. This variable was assigned with value “YES” when it there was evidence by means of the analysis of the implementation of the respective practice of CSR unit, otherwise was assigned the value NO; g) quantification, the results of the dummy variable was recoded to build a quantitative index allowing to approximate the state of implementation of CSR practices in each company. For this was assigned the value one (1) to the variable in the cases “YES” and zero (0) in the cases “NOT”. With this new coding, 24 CSR practices were added for the analysis. In this way, the measurement of CSR can take values from 0 to 24, zero being the lowest level of application; and (h) analysis of results, the results were used to analyze qualitatively and descriptively the implementation of CSR practices in the companies of the sample, for this the analysis of regression with GMM was used.

The reliability of the documentary analysis was based on the concept of reproducibility which suggests that analysis should be shown in different circumstances, in other places, and with the intervention of different encoders (Krippendorff, 1997). To establish the reproducibility, three coders the same registration instructions independently applied to the same set of data. The level of agreement was defined using the percentage scale Fox & López (1981) indicating the degree of agreement between different encoders (Same encrypted drives data/number coded units).

Concerning the validity of the study, it was used the concept of content validity by Fox & López (1981). From this perspective, the researcher argues about the motives of the categorization carried out, observing rules for your selection, namely: homogeneity,

inclusion, utility and mutual exclusion (López, 2002). In this sense, the framework proposed by Goodman et al. (2006) was used considering it collects in good form the main elements of CSR.

Moderator Variable

The moderator variable was a dummy that takes the value of one (1) when the company is familiar and zero (0) otherwise. It was defined as a family business approach that a company in which a family is a shareholder with the largest share of voting rights (Villalonga & Amit, 2006). For its calculation, the following steps were followed: 1) identification of the voting rights of the 20 major shareholders from information published by the Superintendence of Colombian Companies); (2) the controlling family shareholder was identified from the surnames of each reported shareholder. This information was consolidated to identify the voting rights of the shareholders belonging to the same family; (3) In cases where one of the 20 main shareholders was a company, public information was used to identify if the company was controlled by a family. In case of belonging to the same family, the voting rights of the parent company were added to the family group. To make this verification, the company was consulted in the database of the Superintendence of Companies of Colombia, through this consultation the legal representative and the members of the board of directors were identified that allowed to define if the company is controlled by the same family shareholder.

It is possible that some relatives do not bear the surname of the family (spouses, in-laws, in-laws, etc.), this can lead to the voting rights of the families to be underestimated. For this reason, it was proposed an approach of dummies which is most robust when compared to the percentage of the voting rights of each family (Anderson et al., 2003). This approach reduces this underestimation.

Control Variables

To ensure that the results were not addressed by the heterogeneity of the companies, it was controlled by variables that the literature has associated with performance and with the implementation of CSR practices (leverage, sales growth, firm size, firm age and industry). The level of risk is associated with performance, Opler & Titman (1994) suggest that higher indebtedness may indicate greater financial risk, and therefore, worse performance. Leverage was measured by the ratio between total liabilities and total assets (Boubakri et al., 2010). Rangan (1998) states that as they grow they must allocate more working capital, a situation that can affect their economic performance in the short term, as well as the adoption of CSR practices (Wang & Sarkis, 2017). Sales growth was measured as the percentage of change in sales from year t-1 to year t (Petraakis, 1997). Larger companies tend to be more socially responsible because when they grow they attract more attention from their stakeholders, which conditions them to a greater extent to satisfy their demands (Moore, 2001; Waddock & Graves, 1997). Similarly, the size of the company is related to economic performance (Moore, 2001). The size was measured as the natural logarithm of total assets (Jara-Bertin & López-Iturriaga, 2014).

The particularities of each sector lead companies to adopt different CSR practices (Griffin & Mahon, 1997; Waddock & Graves, 1997). In this sense, dummy variables were included to identify the sector in which the company carries out its main activity (Industrial, Financial, Agroindustry, Services, Construction and Utilities). Finally, dummy variables were also included for each year of the study period to eliminate the effect of the general economic environment (Wang & Sarkis, 2017).

Appropriateness of Design

The quantitative approach through hypothesis tests allows establishing differences between groups or relations of two or more factors in a given situation (Sekaran & Bougie, 2016). Since part of the objectives of this study are: (a) to determine if there is a relationship

between the implementation of CSR and economic performance; and (b) to identify if this relationship is different in family and nonfamily businesses, a quantitative study is preferred to a qualitative one. Also, quantitative studies are very useful when the variables under study can be measured objectively (Ibáñez & Egoscozabal, 2013). Considering that variables of this study come from reliable sources (annual reports) a quantitative approach is considered appropriate for this research. It is highlighted that most of the studies related to the objective of this proposal have been conducted parting from a quantitative approach (Aupperle et al., 1985; Davidson & Worrell, 1990; Loureiro et al., 2012; Luo & Bhattacharya, 2006; Maignan & Ferrell, 2001; McWilliams & Siegel, 2000; Orlitzky et al., 2003; Vance, 1975).

Some studies have suggested the existence of endogeneity between economic performance and the implementation of CSR practices (McWilliams & Siegel, 2000; Sial et al., 2018), to mitigate this problem was used GMM.

Research Questions

- Does family business are more likely to adopt corporate social responsibility practices?
- Does CSR practices influence economic performance in Colombian firms?
- Does family control affects the relationship between CSR practice and economic performance?

Hypothesis

H₁: Family businesses are more likely to adopt corporate social responsibility practices (higher family control, higher CSR indicators).

H₂: The implementation of CSR practices is positively related to economic performance (ROE) in Colombian firms (higher CSR indicators, higher economic performance).

H₃: The influence of CSR on economic performance will be moderated by family control. Specifically, family control strengthens the positive relationship between CSR and economic performance (ROE).

Population

The population included companies that trade stocks on the Colombian Stock Exchange during 2010-2017. A total of 70 companies traded stocks during that period. The population comprised companies grouped in six economic sectors: Industrial, Financial, Agroindustry, Services, Construction and Utilities.

Informed Consent

This is a descriptive-quantitative study that has as main data source public information obtained from annual reports of companies and information available on the Colombian Stock Exchange and the Financial Superintendence of Colombia. Therefore, no Informed Consent was required.

Sampling Frame

Sampling was done for convenience. To do this, each firm-year observation should have available information on: (a) financial variables (total assets, total debt, total equity, sales and net incomes); (b) family business attributes (family control); and (c) To have informed in the annual report about the CSR practices adopted during the year. The information contained in (a) was obtained from the EMIS database, while the information contained in (c) was obtained from a content analysis of the annual reports. Finally, the information contained in (b) was obtained from the national registry of securities and issuers (RNVE). Colombian legislation requires listed companies to inform the market of the shareholding of their 20 main shareholders (SFC, 2013). Based on this information, the voting rights of all the members belonged to the same family were consolidated to identify the shareholder families.

Confidentiality

Although this study was based on public information from three sources (annual reports, Financial Superintendence of Colombia and Colombian Stock Exchange), the text of the document will not be referred to a specific company. Since the interest of this study is not to characterize individual behaviors, results will be presented in a general fashion by categories (Family, Nonfamily, Industry Sectors) where the reader cannot identify the companies in question.

Geographic Location

This study included all companies listed on the Colombian Stock Exchange that meet the information requirements. There was no specific geographical location in terms of companies, since in the Colombian market foreign companies are listed in Stock Exchange. However, this study is limited to the Colombian legal and regulatory framework that is where these companies report information.

Instrumentation

CSR practices were identified based on the information disclosed by companies to the market. This information was obtained from corporate annual reports. Following Goodman et al. (2006), the analysis was performed using a scoring system that allocates a point for each CSR practice that the company discloses in its annual report within a set of previously defined practices. The literature review served for identifying four categories as basis for the identification of CSR practices: (a) environment; (b) human resources; (c) products and consumers; and (d) involvement with the community. To identify practices, the approach, as proposed by Goodman et al. (2006), where 24 CSR practices are involved (see Given the nature of the research, an informed consent format was not used.

Appendix B).

Data Collection

In order to meet the purpose of this study it was necessary to collect data related to (a) financial variables (total assets, total debt, total equity, sales and net incomes); (b) family business attributes (family control); and (c) CSR strategies. Annual reports submitted by companies to regulators served as data sources.

ROE represents return on equity and was calculated as the ratio of net income to equity (Andres, 2008). Regarding the family nature of the company, information was collected to determine it. To ascertain a company is under family control was used the definition proposed by Villalonga and Amit (2006), who defined family business as businesses in which a family is the shareholder with the greatest participation voting rights. This information was obtained from the Colombian Registry of Securities and Issuers. Data related to CSR strategies were extracted from a content analysis of the annual reports, according to

Given the nature of the research, an informed consent format was not used.

Appendix B. Finally, this study controlled for factors that may influence the performance and practices of CSR. In this sense, size, sales growth, leverage, age, and industrial sector were included as control variables. For controlling the size of the company, the natural logarithm of the assets (Jara-Bertin & López-Iturriaga, 2014) was used. Leverage was measured by the ratio between total liabilities and total assets (Boubakri et al., 2010). Sales growth was measured as the percentage of change in sales from year t-1 to year t (Petraakis, 1997). Dummy variables were selected to identify the industrial sector to which the company belonged (Industrial, Financial, Agroindustry, Services, Construction and Utilities).

Data Analysis

To characterize the sample, a descriptive and correlational analysis was carried out for all the variables of the model. The descriptive analysis included tests (t-test) to determine if there were differences between family and non-family companies in the average in all the variables of the model. Specifically, about the adoption of CSR practices, tests of mean differences were carried out between family businesses and non-family businesses. To verify the hypotheses H₁ the model of equation (1) was used. The hierarchical linear regression models of equations (2), (3) and (4) were used to verify hypotheses H₂ and H₃. The estimate was made through the GMM. In this case performance (ROE) was the dependent variable.

The regression analysis was carried out in three steps: (a) the model included the control variables and the moderator variable; (b) the model included the measurement of CSR (dependent variable), the control variables and the moderator variable to identify the effect of the adoption of CSR practices on performance; and (c) the model included a term for the interaction between CSR practices and control. Definition of the variables is presented in the model:

$$\begin{aligned} \text{CSR}_{i,t} = & \beta_0 + \beta_1 \text{FAMM}_{i,t} + \beta_2 \text{LEVERAGE}_{i,t} + \beta_3 \text{GROWTH}_{i,t} + \beta_4 \text{SIZE}_{i,t} \\ & + \beta_5 \text{AGE}_{i,t} + \beta_6 \text{LAGCSR}_{i,t} + \text{YEAR} + \text{INDUSTRY} + \varepsilon_{i,t} \end{aligned} \quad (1)$$

$$\begin{aligned} \text{ROE}_{i,t} = & \beta_0 + \beta_1 \text{FAMM}_{i,t} + \beta_2 \text{LEVERAGE}_{i,t} + \beta_3 \text{GROWTH}_{i,t} + \beta_4 \text{SIZE}_{i,t} \\ & + \beta_5 \text{AGE}_{i,t} + \beta_6 \text{LAGROE}_{i,t} + \text{YEAR} + \text{INDUSTRY} + \varepsilon_{i,t} \end{aligned} \quad (2)$$

$$\begin{aligned} \text{ROE}_{i,t} = & \beta_0 + \beta_1 \text{FAMM}_{i,t} + \beta_2 \text{LEVERAGE}_{i,t} + \beta_3 \text{GROWTH}_{i,t} + \beta_4 \text{SIZE}_{i,t} \\ & + \beta_5 \text{AGE}_{i,t} + \beta_6 \text{LAGROE}_{i,t} + \beta_7 \text{CSR}_{i,t} + \text{YEAR} + \text{INDUSTRY} + \varepsilon_{i,t} \end{aligned} \quad (3)$$

$$\begin{aligned} \text{ROE}_{i,t} = & \beta_0 + \beta_1 \text{FAMM}_{i,t} + \beta_2 \text{LEVERAGE}_{i,t} + \beta_3 \text{GROWTH}_{i,t} + \beta_4 \text{SIZE}_{i,t} \\ & + \beta_5 \text{AGE}_{i,t} + \beta_6 \text{LAGROE}_{i,t} + \beta_7 \text{CSR}_{i,t} + \beta_8 \text{CSR} \times \text{FAMM}_{i,t} + \text{YEAR} \\ & + \text{INDUSTRY} + \varepsilon_{i,t} \end{aligned} \quad (4)$$

Validity and Reliability

To guarantee data validity and reliability a normality tests were carried out, as well as an analysis of extreme values. In the same way, robustness tests were carried out with other performance measurements such as the ROA. In the case of family control, other approaches were used to classify family businesses. Cases were considered when the three main controlling shareholders were families or family groups. In the correlation analysis, the variance inflation factor was used to detect multicollinearity problem in the variables (Chatterjee & Hadi, 2015). To ensure the robustness of the results, additional tests included as a measurement of CSR each of the four groups of practices studied (environmental, human resources, product and customers and community involvement).

Summary

The purpose of this descriptive-quantitative study was twofold. On the one hand, determine the relationship between the implementation of CSR practices and economic performance in companies listed on the Colombian Stock Exchange during the period 2010-2017. On the other hand, identify the effect of family control on the CSR-Performance relationship. This study was based on a positivist approach aimed to obtain knowledge

through data statistical analysis (Del Canto & Silva, 2013). Since the objectives of this study were: (a) to determine if there is a relationship between the implementation of CSR and economic performance; and (b) identify if this relationship varies in family and nonfamily businesses, a quantitative approach was used; through hypothesis testing, it was possible to establish differences between groups or relation of two or more factors in a situation (Sekaran & Bougie, 2016).

To verify the hypotheses, hierarchical linear regression models were used where the performance (ROE) was the dependent variable. The regression analysis was carried out in three steps: (1) the model included the control variables and the moderator variable; (2) the model included the measurement of CSR (dependent variable), the control variables and the moderator variable to identify the effect of the adoption of CSR practices on performance; (3) the model included a term for the interaction between CSR practices and control. The results of this study are presented in the following chapter.

Chapter IV: Results

Introduction

This chapter presents the results for the CSR-Performance relationship analysis in a sample of companies listed in the Colombian Stock Exchange during the period 2010-2017. These results were published in the International Journal of Economics and Financial Issues.

The purpose of this descriptive-quantitative study was twofold. On the one hand, it seeks to determine the relationship between the implementation of CSR practices and economic performance in companies listed on the Colombian Stock Exchange during the 2010-2017 period. On the other hand, it seeks to identify the effect of family control on the CSR-Performance relationship. Three findings stand out: (a) there was no relationship between family control and the adoption of CSR practices. This suggests that the family character of companies is not a decisive element in the intention of companies to adopt CSR strategies, therefore, family and non-family companies invest in CSR practices seeking to obtain economic benefits, and at the same time, resolve reputation issues (Faller & Zu Knyphausen-Aufseß, 2018). In general, each company prioritizes the stakeholders it wants to attend, without implying that some are more responsible than the others; (b) evidence of a direct relationship between the adoption of CSR practices and economic performance was found, result consistent with stakeholder theory; and (c) the family character does not influence the CSR-Performance relationship.

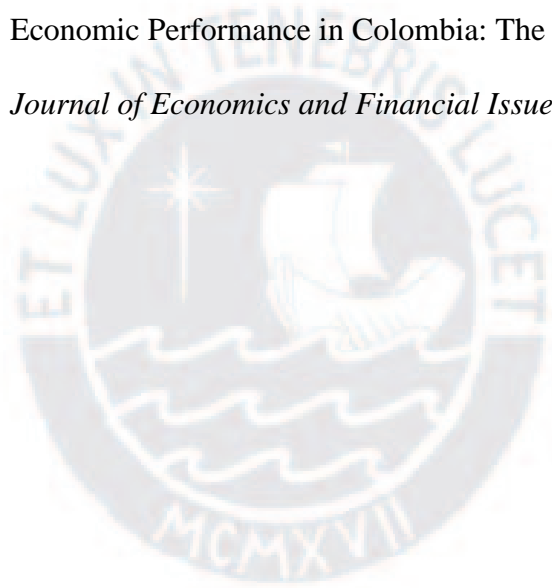
This study provides empirical evidence on the Colombian market to validate or refute the findings from other countries. Incorporating the effect of family ownership into the analysis of the CSR-Performance relationship is transcendental in emerging markets. Although the development and adoption of CSR practices is nothing new, just up recently in emerging countries is gaining relevance that has in the United States, Japan and most of Europe (El-Kassar et al., 2018). Companies in emerging countries have understood

implementation of CSR practices contributes to reducing the competitiveness gaps opposite their counterparts in the developed countries (Idemudia, 2011), situation that has generated a growing interest in these countries by CSR and its possible effects on performance (El-Kassar et al., 2018).

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Corporate Social Responsibility Practices and Economic Performance in Colombia: The Moderating Effect of Family Control

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ABSTRACT

The purpose of this descriptive-quantitative study was twofold. On the one hand, it seeks to determine the relationship between the implementation of corporate social responsibility (CSR) practices and economic performance. On the other, it seeks to identify the effect of family control on the CSR-performance relationship. For this, we studied a sample of 55 companies listed on the stock exchange of Colombia during the period 2010-2017. The analysis was performed with multiple regression models estimated from the GMM method. Three findings are highlighted: (a) No evidence was found about a relationship between the family character and the adoption of CSR practices; (b) Evidence was found on a direct relationship between the adoption of CSR practices and economic performance; and (c) the family character does not influence the CSR-performance relationship.

Keywords: Family Business, Corporate Social Responsibility, Economic Performance

JEL Classifications: G30, G34, L25

1. INTRODUCTION

Understanding the relationship between economic performance and corporate social responsibility (CSR) is essential for companies, as it allows them to adopt practices that combine their interests with those of their stakeholders. In this way they find a balance between economic, social and environmental aspects (Fernández et al., 2015). Although many studies refer to the relationship between CSR and performance, it remains as an empirically unresolved matter. In the business setting, CSR is replacing a approached initially based solely on economic benefits to favor a wider conception besides the economic aspects, also considering social and environmental factors (Paulík et al., 2015). The debate on whether this new approach may be related with better economic performance has been given increasing prominence in literature. The first works were carried out at the beginning of the 70s in response to Friedman's skeptical position towards CSR (Friedman, 1970) and today they continue

to arouse the interest of academia and entrepreneurial community in view of the lack of consensus regarding results. Studies have documented both linear (positive, negative, neutral) and nonlinear (U-shaped and inverted U) relationships.

These contradictory results have been explained by the inclusion of variables that may moderate the relationship. The literature has explored how some characteristics of companies and the environment can moderate the CSR-performance relationship. Most of the studies that have addressed this relationship include characteristics of companies such as size, age, ownership structure, innovation and strategy can act as moderating variables in the relationship (Javed et al., 2016). Similarly, some studies have shown how context can help or limit the development of CSR (Wang et al., 2016).

On the other hand, in the Colombian case according to the Superintendence of Colombian Companies, 46% of Colombian

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companies are family businesses (Superintendencia de Sociedades, 2012). However, previous studies suggest this percentage is close to 70% (Superintendencia de Sociedades, 2006). In the case of companies listed on the Colombian Stock Exchange, previous studies classify 56% of companies as family members (e.g., Gómez-Betancourt et al., 2012; González et al., 2012). The concentration of power is common in family enterprises (Acero and Alcalde, 2016). The unification of the ownership and control mitigates agency problems given that aligns the interests of shareholders and managers (Carney, 2005). However, the controlling shareholders also can use its power to gain benefits at the expense of the interests of minority shareholders (Kraakman et al., 2004).

Understanding how CSR affects performance of family businesses can help this type of company to create competitive advantages that allow them to extend their legacy to future generations. However, despite the broad development in the study of the family business (FB) (Xi et al., 2015), there is little empirical evidence that has focused on studying the influence of property and family control in the CSR-performance relationship. A study on the relationship between CSR and economic performance will allow Colombian businesses to count with solid arguments to incorporate elements of CSR within their organizational strategy in order to obtain not only economic benefits, but also helping improving conditions of stakeholders. In this way, businesses will be able to improve levels of acceptance in the community as a way to respond to increasing pressures of sustainable development: improved labor rights and preservation of the environment (Bonsón and Bednárová, 2015; Vives and Peinado-Vara, 2011).

The purpose of this descriptive-quantitative study was twofold. On the one hand, it seeks to determine the relationship between the implementation of CSR practices and economic performance in companies listed on the Colombian stock exchange during the 2010-2017 period. On the other hand, it seeks to identify the effect of family control on the CSR-performance relationship. Three findings stand out: (a) there was no relationship between family control and the adoption of CSR practices. This suggests that the family character of companies is not a decisive element in the intention of companies to adopt CSR strategies, therefore, family and non-family companies invest in CSR practices seeking to obtain economic benefits, and at the same time, resolve reputation issues (Faller and zu Knyphausen-Aufseß, 2018). In general, each company prioritizes the stakeholders it wants to attend, without implying that some are more responsible than the others; (b) evidence of a direct relationship between the adoption of CSR practices and economic performance was found, result consistent with stakeholder theory; and (c) the family character does not influence the CSR-performance relationship.

This study provides empirical evidence on the Colombian market to validate or refute the findings from other countries. Incorporating the effect of family ownership into the analysis of the CSR-performance relationship is transcendental in emerging markets. Although the development and adoption of CSR practices is nothing new, just up recently in emerging countries is gaining relevance that has in the United States, Japan and most of Europe

(El-Kassar et al., 2018). Companies in emerging countries have understood implementation of CSR practices contributes to reduce the competitiveness gaps opposite their counterparts in the developed countries (Idemudia, 2011), situation that has generated a growing interest in these countries by CSR and its possible effects on performance (El-Kassar et al., 2018).

The remainder of the paper is as follows. Section 2 develops theoretical framework. Section 3 presents the literature review relating to the implementation of CSR practices, family control and performance. Section 4 presents the sample, data and methodology. We discuss our results in Section 5. The last section concludes the paper.

2. THEORETICAL FRAMEWORK

2.1. Implementation of CSR Practices

Companies invest part of its resources in the implementation of CSR practices, mainly by the potential economic benefits and reputation issues (Faller and zu Knyphausen-Aufseß, 2018). Profits seem to be the most obvious reason for its implementation (Dam and Scholtens, 2012). From this perspective, CSR is an investment that involves incurring the short-term costs for their implementation, while its results could be evident only in the long term (Cox et al., 2004; Jia and Zhang, 2013). These implementation costs reduce profits available for distribution, limiting the potential income of the shareholders (Faller and zu Knyphausen-Aufseß, 2018, p. 20). However, these have the expectation of potential incomes increased in long term. The other element that can lead to the implementation of CSR strategies is the improvement in corporate reputation (Campopiano et al., 2014; Klonoski, 1986; Schafer and Goldschmidt, 2010). Literature has shown that reputation and stakeholder support vision prevails before economic considerations (Faller and zu Knyphausen-Aufseß, 2018).

2.2. Family Control and CSR Practices

Family businesses have characteristics that distinguish them from other types of companies and that have turned them into an interesting object of study (Lagos, 2017). In this sense, multiple studies have raised that family businesses are characterized by longer investment horizons (Jensen and Meckling, 1976; Miller and Breton-Miller, 2006; Sirmo and Hitt, 2003), less prone to conflicts of interest between shareholders and managers (Berle and Means, 1932; Jensen and Meckling, 1976), greater risk aversion (Faller and zu Knyphausen-Aufseß, 2018; Shleifer and Vishny, 1997), higher level of trust, altruism and paternalism among its members (James, 1999), higher choice of expropriation of minority shareholders (Anderson and Reeb, 2003; Tran, 2014; Villalonga et al., 2015), higher propensity to combine economic and non-economic objectives (Adams et al., 2004; Aparicio et al., 2017) and greater concern for the reputation of the company (Anderson et al., 2003; Miller and Le Breton-Miller, 2005), among others.

The above studies have suggested that these and other features of family-owned businesses may be linked to differences found in several studies that compare family and non-family businesses. For example, in economic performance (Anderson and Reeb, 2003; 2004; Andres, 2008; Brenes et al., 2011; Maury, 2006; San Martín-

Reyna and Duran-Encalada, 2012), the valuation of the company (Maury and Pajuste, 2005; Villalonga and Amit, 2006) and cost of capital (Attig et al., 2008; Boubakri et al., 2010; Lagos, 2017), among other topics discussed. The concentration of ownership can theoretically have positive or negative effects on the CSR-performance relationship (Faller and zu Knyphausen-Aufseß, 2018).

This work raises the peculiarities of family businesses are related to the decision to implement or not practices of CSR and therefore may have a moderating effect on the CSR-performance relationship. On the one hand is the focus of expropriation which suggests that family businesses are less likely to invest in the implementation of given CSR practices that have greater incentive to divert those resources to other activities (El Ghouli et al., 2016). On the other hand, is the approach of the reputation and long-term suggesting that family businesses are more likely to invest in the implementation of CSR practices given their interests to improve its reputation and that of the family with their stakeholders (Albert and Whetten, 1985; Whetten and Mackey, 2002).

2.2.1. Expropriation approach

Using this approach, it is suggested that family businesses have greater incentive to divert resources that could be devoted to CSR practices (El Ghouli et al., 2016). Given the power of the controlling families, there is greater likelihood that controlling shareholders seeks private gain at the expense of the interest of minority shareholders (Almeida and Wolfenzon, 2006; Anderson and Reeb, 2003; De Angelo and De Angelo, 2000; Jara-Bertin et al., 2008; Tran, 2014; Villalonga et al., 2015). For example, multiple studies have shown that family businesses are characterized by a greater propensity to distribute dividends, which translates into a lower investment in the business (De Angelo and De Angelo, 2000), less destination of resources for research and development programs (Anderson et al., 2012) and the existence of practices of tunneling (Bae et al., 2002; Bertrand et al., 2002). In summary, from the perspective of expropriation is given that controlling families have greater incentive to use its position in the structure of ownership and control in its own benefit. In this sense, they seek to invest the resources that could be used for the implementation of CSR practices in other projects of interest.

2.2.2. Reputation and long-term horizon approach

Family businesses are more likely to combine economic objectives with non-economic objectives (Adams et al., 2004; Berrone et al., 2010; Daszyńska-Żygadlo et al., 2016). Among these non-economic objectives are a concern marked by the reputation of the company (Berrone et al., 2010; Deephouse and Jaskiewicz, 2013) and the intention to move the company to future generations (Anderson and Reeb, 2003; Gómez-Mejía et al., 2007; Lumpkin et al., 2010). These two elements, which are closely linked, are essential in the decision to implement CSR practices in family enterprises.

Firstly, there is consensus that one of the objectives of the implementation of CSR practices is to improve the reputation of the company with its stakeholders (Albert and Whetten, 1985; Whetten and Mackey, 2002). The theory of organizational identity (Bingham et al., 2011) proposes that individuals who have a closer

link with the organization are more concerned about corporate reputation (Bingham et al., 2011) given that it is not easy to unlink its image of the organization (Zellweger et al., 2013). Family businesses are a specific case of this situation. In these companies, the concern for the reputation arises because the consciousness that exists about that when they venture into a business, in addition to the company's reputation, also is put at stake the reputation of the family (Deephouse and Jaskiewicz, 2013; Dyer and Whetten, 2006; Miller and Le Breton-Miller, 2005; Schulze et al., 2003).

Secondly, the intention to move the company to the next generations allows that results in family businesses can be seen over a long-term horizon (de Visscher et al., 2016; Miller and Breton-Miller, 2006; Sirmon and Hitt, 2003) resulting in a more efficient investment (James, 1999; McNulty et al., 2002; Zellweger, 2007). This broad investment horizon allows family businesses developing relationships with real commitments in the long term with its stakeholders (Miller and Le Breton-Miller, 2005). In short, the reputation and long-term approach raises that family businesses are more likely to invest in the implementation of CSR practices since they help to improve its reputation, as well as facilitate and implement long-term relations with its stakeholders that maximize the value of the company (Bénabou and Tirole, 2010; Jensen, 2002).

3. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

3.1. Studies on Family Control and CSR

The distinctive aspects of family businesses (longer investment horizons, less prone to conflicts of interest between shareholders and managers, greater risk aversion, higher level of trust, altruism and paternalism among its members, higher choice of expropriation of minority shareholders, higher propensity to combine economic and non-economic objectives, and greater concern for the reputation of the company) are highly compatible with CSR. Most of the studies have raised the expectation of finding higher levels of CSR in companies that have family groups as controlling shareholders (Faller and zu Knyphausen-Aufseß, 2018). Studies have shown that factors strong identification with the firm, their special goal sets, their family ties, long term survival vision, their risk-averse attitude and concerns for reputation of the business and the family, as distinctive features of family businesses (e.g., Anderson et al., 2003), largely stimulate CSR strategies (Berrone et al., 2010; Bingham et al., 2011; Block and Wagner, 2010; Dyer and Whetten, 2006; Gómez-Mejía et al., 2007; Zellweger et al., 2013).

The above suggests that the CSR-performance relationship may be stronger in family businesses. Recent studies have provided evidence in this regard (e.g., Berrone et al., 2010; Bingham et al., 2011; Block and Wagner, 2014; McGuire et al., 2012; Yu et al., 2015). As well Yu et al., (2015) found that the concern to preserve the image of the company generates a greater impact of CSR on performance in family businesses. At his side, Lamb and Butler (2016) found that levels of CSR are stronger when given the combination of a higher percentage of family

owned and when there is presence of a family CEO. The work of Cui et al., (2018) showed that family businesses with members of the family as CEO tend to have better performance in CSR. Labelle et al. (2018) They showed that when the family control levels are lower, families homeowners invest more in social initiatives to protect its emotional richness.

However, differences in the implementation of CSR practices do not mean that family businesses are more socially responsible than nonfamily businesses. It is possible that the particular goals of family businesses will lead to the prioritization of the interests of the family on the other stakeholders that will lead to reductions in the levels of CSR practices (Marques et al., 2014; McGuire et al., 2012; Wu et al., 2012). In the same way, prior studies have shown that although features of family businesses may benefit some stakeholders, they may also affect others. Specifically, literature has shown that the vision of survival in the long term and the concern for the reputation of the business lead these companies to better respond needs of external stakeholders (environment, community and clients) (Cruz et al., 2014). However, concerns for control and influence within the company may lead to inadequate responses towards internal stakeholders (employees, management and minority shareholders) (Cruz et al., 2014).

In this sense, multiple studies have shown that there is an inverse relationship between the family nature and implementation of CSR practices (e.g., El Ghouli et al., 2016; Kim and Lee, 2018; McGuire et al., 2012). In these studies, as well as the inverse relationship between family and CSR practices, are particular situations. For example, the study of El Ghouli et al. (2016) showed that the lower performance of family enterprises in terms of CSR focuses on companies with major problems of agency and in countries with weak institutions. At his side, Kim and Lee (2018) found that family businesses run by family CEOs had lower CSR, so that the chaebol companies, these levels were higher. But in the study of McGuire et al. (2012) it was noted that the family character is related positively with levels of CSR, the authors highlight that this relationship changes direction when there is one combination of entrenchment and family domination. Lamb and Butler (2016) they found that the combination of a family CEO and a founding family reduces concern about CSR. By last Labelle et al. (2018) they found that family-owned businesses exhibit lower levels of CSR, form specifies this situation arises when the family control thresholds exceed 36%. Under this condition, economic considerations prevail on socioemotional wealth and CSR performance begins to decrease.

Although there is also evidence to suggest otherwise, this study suggests that the differentiating aspects of family businesses refer to the positive way of adopting CSR practices. Following this line, following hypothesis is proposed for Colombian case:

H₁: Family business are more likely to adopt CSR practices (higher family control, higher CSR indicators).

3.2. CSR Practices and Performance

Some studies show a linear positive relationship suggesting that financial benefits of CSR remain in time (e.g., Loureiro et al., 2012; Luo and Bhattacharya, 2006; Maignan and Ferrell, 2001;

McWilliams and Siegel, 2000; Orlitzky et al., 2003). In contrast, other studies show that this relationship is linear and negative. This might suggest that firms that do not adopt CSR practices show lower costs as compared with firms that do (Aupperle et al., 1985; Davidson and Worrel, 1988; Vance, 1975). Other studies show that the relationship is nonlinear, u-shaped. These studies suggest that in early stages of implementation of CSR strategies, companies incur costs that are outweighed by the benefits of such implementation, however, these costs are subsequently recovered (Barnett and Salomon, 2006; Nollet et al., 2016). While other studies raise an in the shape of an inverted- U relationship, these studies suggest that in the early years, the benefits of adopting RSE practices increase steadily, however, after a while they peak and then fade (Singh et al., 2017; Sun et al., 2018). Nonetheless, other studies show that this nonlinear relationship has the shape of a U; such studies suggest that the best economic performance is seen at the ends of the CSR strategy adoption. Finally, some studies show that the relationship between performance and the adoption of CSR practices is neutral (e.g., Aupperle et al., 1985; Davidson and Worrell, 1990; Lindgreen et al., 2009; McGuire et al., 1988).

From the legitimacy standpoint, CSR recognizes that in exchange for the capacity to develop their operations in a good way, businesses face social expectations and limitations that force them to go beyond legal parameters (Kuznetsov et al., 2009). This implies that although it is possible that businesses adopt CSR practices for moral or ethical reasons, they generally do it to improve their economic performance and the well-being of their shareholders (Kuznetsov et al., 2009) since different stakeholders may exert pressure on a business if they think that this business is not acting as expected. CSR has added a wider conception than to incorporate social and environmental aspects in order to pursue economic performance (Paulík et al., 2015). Literature has shown that businesses with stronger CSR orientation in their activities can improve economic performance (e.g., Allouche and Laroche, 2005; Orlitzky et al., 2003; Wu, 2006). Based on these studies, following hypothesis is proposed for Colombian case:

H₂: The implementation of CSR practices is positively related to economic performance (ROE) in Colombian firms (higher CSR indicators, higher economic performance).

3.3. Family Control and CSR-performance Relationship

The highest intention towards implementation of CSR in family businesses (H₁), added to the positive relationship between CSR practices and performance (H₂) suggest that family control can be a variable that moderates the CSR-performance relationship.

The concentration of ownership can theoretically have positive or negative effects on the CSR-performance relationship (Faller and zu Knyphausen-Aufseß, 2018). In this sense, this work raises the peculiarities of family businesses are related to the decision to implement or not practices of CSR and therefore may have a moderating effect on the CSR-performance relationship. On the one hand is the focus of expropriation which suggests that family businesses are less likely to invest in the implementation of given CSR practices that have greater incentive to divert those resources to other activities (El Ghouli et al., 2016). On the other hand, is the approach of the reputation and long-term suggesting that family

businesses are more likely to invest in the implementation of CSR practices given their interests to improve its reputation and that of the family with their stakeholders (Albert and Whetten, 1985; Whetten and Mackey, 2002). This work is focused by the approach of reputation and long-term in the same hypothesis H_{2a} , suggesting a greater propensity towards the adoption of CSR practices in family businesses. In this sense, it can be thought that family control can be a moderator of the CSR-performance relationship. Considering all of the above, the following hypothesis of moderation is proposed:

H_3 : The influence of CSR on economic performance will be moderated by family control. Specifically, family control strengthens the positive relationship between CSR and economic performance (ROE).

4. METHODOLOGY

4.1. Sampling Frame

Sampling was done for convenience. The sample included companies with shares registered in the Colombian stock exchange during the period 2010-2017. Three inclusion criteria were used, each firm-year observation should: (a) have financial information available in EMIS database on assets, liabilities, equity, operational income, utilities; (b) have submitted annual management report or CSR Report; and (c) have information in the Superintendence of Companies and/or the Financial Superintendence about its main shareholders. According to above criteria, the final sample was composed of an unbalanced data panel of 387 firm-year observations corresponding to 55 companies.

4.2. Variables Measurement

4.2.1. Dependent variable

The dependent variable was the economic performance measured through the ROE. ROE was calculated as the quotient between net income and total equity (Andres, 2008).

4.2.2. Independent variable

The independent variable was the measurement of the adoption of CSR practices. The measurement of CSR included 24 practices grouped into four groups: environmental, human resources, product and customers and community involvement (Appendix A). It was calculated through a content analysis of the annual reports of the companies listed on the Colombian stock exchange. The implementation or not of specific practice of CSR were encoded using a dummy variable. This variable was assigned with the value one (1) when it there was evidence by means of the analysis of the implementation of the respective practice of CSR, otherwise was assigned the value zero (0). In this way, the measurement of CSR can take values from 0 to 24, zero being the lowest level of application.

4.2.3. Moderator variable

The moderator variable was a dummy that takes the value of one (1) when the company is familiar and zero (0) otherwise. It was defined as a FB approach that company in which a family is the shareholder with the largest share of voting rights (Villalonga and Amit, 2006). For its calculation, the following steps were followed: (1) identification of the voting rights of the 20 major shareholders from information published by the Superintendence

of Colombian Companies); (2) the controlling family shareholder was identified from the surnames of each reported shareholder. This information was consolidated to identify the voting rights of the shareholders belonging to the same family; (3) In cases where one of the 20 main shareholders was a company, public information was used to identify if the company was controlled by a family. In case of belonging to the same family, the voting rights of the parent company were added to the family group. To make this verification, the company was consulted in the database of the Superintendence of Companies of Colombia, through this consultation the legal representative and the members of the board of directors were identified that allowed to define if the company is controlled by the same family shareholder.

It is possible that some relatives do not bear the surname of the family (spouses, in-laws, in-laws, etc.), this can lead to the voting rights of the families to be underestimated. For this reason, it was proposed an approach of dummies which is most robust when compared to the percentage of the voting rights of each family (Anderson et al., 2003). This approach reduces this underestimation.

4.2.4. Control variables

To ensure that the results were not addressed by the heterogeneity of the companies, it was controlled by variables that the literature has associated with performance and with the implementation of CSR practices (leverage, sales growth, firm size, firm age and industry). The level of risk is associated with performance, Opler and Titman (1994) suggest that higher indebtedness may indicate greater financial risk, and therefore, worse performance. Leverage was measured by the ratio between total liabilities and total assets (Boubakri et al., 2010). Rangan (1998) states that as they grow they must allocate more working capital, a situation that can affect their economic performance in the short term, as well as the adoption of CSR practices (Wang and Sarkis, 2017). Sales growth was measured as the percentage of change in sales from year $t-1$ to year t (Petrakis, 1997). Larger companies tend to be more socially responsible because when they grow they attract more attention from their stakeholders, which conditions them to a greater extent to satisfy their demands (Moore, 2001; Waddock and Graves, 1997). Similarly, the size of the company is related to economic performance (Moore, 2001). Size was measured as the natural logarithm of total assets (Jara-Bertin and López-Iturriaga, 2014). The particularities of each sector lead companies to adopt different CSR practices (Griffin and Mahon, 1997; Waddock and Graves, 1997). In this sense, dummy variables were included to identify the sector in which the company carries out its main activity (Industrial, Financial, Agroindustry, Services, Construction and Utilities). Finally, dummy variables was also included for each year of the study period in order to eliminate the effect of the general economic environment (Wang and Sarkis, 2017).

4.3. Research Model

The hypotheses were validated by hierarchical regression models through GMM. The dependent variable was the economic performance measured through the ROE. The independent variable was the measurement of the adoption of CSR practices. The moderator variable was family control. Finally, to ensure that the results will not be addressed by the heterogeneity of the companies, it was controlled by variables that the literature has

associated with performance and with the implementation of CSR practices (leverage, sales growth, firm size, industry and year).

To verify the hypotheses H₁ the model of equation (1) was used. The hierarchical linear regression models of equations (2), (3) and (4) were used to verify hypotheses H₂ and H₃. The estimate was made through the GMM. The regression analysis was carried out in three steps: (a) the model included the control variables and the moderator variable; (b) the model included the measurement of CSR (dependent variable), the control variables and the moderator variable to identify the effect of the adoption of CSR practices on performance; and (c) the model included a term for the interaction between CSR practices and control.

$$CSR_{it} = \beta_0 + \beta_1 FAMM_{it} + \beta_2 LEVERAGE_{it} + \beta_3 GROWTH_{it} + \beta_4 SIZE_{it} + \beta_5 AGE_{it} + \beta_6 LAGCSR_{it} + YEAR + INDUSTRY + \varepsilon_{it} \quad (1)$$

$$ROE_{it} = \beta_0 + \beta_1 FAMM_{it} + \beta_2 LEVERAGE_{it} + \beta_3 GROWTH_{it} + \beta_4 SIZE_{it} + \beta_5 AGE_{it} + \beta_6 LAGROE_{it} + YEAR + INDUSTRY + \varepsilon_{it} \quad (2)$$

$$ROE_{it} = \beta_0 + \beta_1 FAMM_{it} + \beta_2 LEVERAGE_{it} + \beta_3 GROWTH_{it} + \beta_4 SIZE_{it} + \beta_5 AGE_{it} + \beta_6 LAGROE_{it} + \beta_7 CSR_{it} + YEAR + INDUSTRY + \varepsilon_{it} \quad (3)$$

$$ROE_{it} = \beta_0 + \beta_1 FAMM_{it} + \beta_2 LEVERAGE_{it} + \beta_3 GROWTH_{it} + \beta_4 SIZE_{it} + \beta_5 AGE_{it} + \beta_6 LAGROE_{it} + \beta_7 CSR_{it} + \beta_8 CSR \times FAMM_{it} + YEAR + INDUSTRY + \varepsilon_{it} \quad (4)$$

5. FINDINGS

5.1. Descriptive Statistics and Correlations

The companies were classified into FB and non-FB (NFB). Table 1 presents the distribution according to the classification of their shareholders and according to industrial sector in which they developed activities. Four criteria were used to classify companies like FB: 50% or more of the property in the hands of one or more family groups (FAMM), The first controlling shareholder was a family group (FAM1), the first and second controlling shareholder were family groups (FAM12), three main controlling shareholders were family groups (FAM123). Independent on the criterion used, NFBs predominate in the sample. The highest share of FBs is presented when using the FAM1 criterion (48.06%), followed by

FAMM (34.63%) and FAM12 (14.73%). FB is mainly found in the industrial and financial sectors. The main results of this study are presented with the variable FAMM. The other criteria (FAM1, FAM12 and FAM123) were used for robustness testing.

Table 2 presents mean and standard deviation for main variables of this study, both for complete sample and for the NFB and FB groups (using FAMM). Also in Table 2 a mean difference analysis is shown for these groups.

Results showed significative differences between NFB and FB. It was observed that, as FB present greater ROE, however, are less profitable when performance was assessed with ROA. With respect to social responsibility practices, it was found that, although FB presents higher overall indicators (CSR), this difference is not statistically significant. However, the customers and community subscripts show that FB are more concerned about their clients and their communities than their NFB peers. These results are consistent with studies that have shown a higher propensity in family businesses to cater to external stakeholders (Cruz et al., 2014). On the other hand, no significant differences were observed regarding social responsibility practices for employees and the environment (environmental).

In terms of control variables, significant differences were found in the indicators of growth, size and age. On average, FB presents lower growth rates (growth), are larger (size) and longer-lived

(age) enterprises. No significant differences were found between NFB and FB in terms of dept (leverage). Finally, the correlations between variables are presented in Table 3.

5.2. Regression Results

Results of the GMM estimates are presented in Table 4. Model 1 assessed the relationship between adoption of CSR practices and the family character in enterprises (FAMM). Results show a positive relationship between CSR and FAMM, i.e., FB presents higher CSR indicators in the acquisition of NFB. However, this relationship is not statistically significant (1,761; P > 10%), therefore, the H₁ hypothesis that raised a higher propensity towards the implementation of CSR practices in family businesses is not supported.

Literature explains the adoption of CSR practices in family enterprises from two approaches. On the one hand, the expropriation vision suggests that these companies are less likely

Table 1: Distribution of family firms per shareholders and industrial sector

Panel A: Family firms per shareholders	Family	Non-family	% Family	% Non-family
Majority family shareholding, more than 50% (FAMM)	134	253	34.63	65.37
First controlling shareholder (FAM1)	186	201	48.06	51.94
Two main controlling shareholders (FAM12)	57	330	14.73	85.27
Three main controlling shareholders (FAM123)	24	363	6.20	93.80
Panel B: Family firms per industrial sector	FAM_M (%)	FAM1 (%)	FAM12 (%)	FAM123 (%)
Industrial	40 (10.3)	62 (16.0)	30 (7.8)	22 (5.7)
Financial	44 (11.4)	59 (15.2)	16 (4.1)	0 (0.0)
Agroindustry	19 (4.9)	19 (4.9)	0 (0.0)	0 (0.0)
Services	16 (4.1)	19 (4.9)	11 (2.8)	2 (0.5)
Construction	15 (3.9)	21 (5.4)	0 (0.0)	0 (0.0)
Utilities	0 (0.0)	6 (1.6)	0 (0.0)	0 (0.0)

Source: This study. FAMM is the variable for identify the family business with which the main results of this study are presented. FAM1, FAM12 and FAM123 are different variables that were used in the robustness tests. Definitions of the variables are provided in Appendix B

to invest in CSR practices because they have greater incentives to divert those resources to other activities (El Ghoul et al., 2016). On the other hand, the vision of reputation and long term raises that family businesses are more likely to invest in CSR practices because they focus their interests on the reputation of the company and the family (Albert and Whetten, 1985; Whetten and Mackey, 2002) (Albert and Whetten, 1985; Whetten and Mackey, 2002).

Results can suggest that both family and non-family companies decide to invest in CSR practices for reputation issues, that is, this is not something typical of family businesses. Generally, companies invest in CSR practices for potential economic benefits and reputation problems (Faller and zu Knyphausen-Aufseß, 2018). However, there is evidence that the reputation prevails in the face of the economic benefits (Faller and zu Knyphausen-Aufseß, 2018).

On the other hand, in order to analyze the effect of the familial character in the CSR-performance (H_2 and H_3), a hierarchical regression analysis was used in Models 2-4. Model 2 included the moderator variable (FAMM) and control variables (leverage, growth, size, and age).

It was observed that the ROE is related in a negative way with the indebtedness (-0.016 ; $P < 1\%$). The FAMM variable is not significant to explain performance (-0.010 ; $P > 10\%$). In Model 3, the CSR variable was added, in addition to the moderator variable and control variables. The CSR coefficient was positive and significant (0.005 ; $P < 5\%$), therefore, the H_2 hypothesis that raised a positive relationship between the ROE and the CSR indicators is supported. These results are consistent with previous studies that have shown a positive effect of the adoption of CSR practices in the economic performance (Allouche and Laroche, 2005; Miras et al., 2014; Orliutzky et al., 2003; Wu, 2006). Although literature has raised that companies decide to invest in CSR practices more for reputation issues than for the economic benefits (Faller and zu Knyphausen-Aufseß, 2018). Companies if they expect the costs in which they incur in the short term for their adoption to be rewarded in the long term through improvements in economic indicators (Cox et al., 2004; Jia and Zhang, 2013).

Finally, Model 4 moderator role of the family character in the CSR-performance relationship. In the hypothesis H_3 It was considered that the family character in the companies moderates

Table 2: Descriptive statistics and mean comparisons

Variables	Full sample (n=387)		NFB (n=253)		FB (n=134)		t-value
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation	
Performance							
ROE	0.068	0.198	0.060	0.237	0.082	0.083	-1.336*
ROA	0.046	0.062	0.052	0.070	0.035	0.041	3.115***
CSR practices							
CSR	14.568	5.165	14.391	5.771	14.903	3.761	-1.051
Environmental	4.096	2.024	4.146	2.223	4.000	1.585	0.748
Employees	5.726	2.142	5.696	2.309	5.784	1.791	-0.414
Customers	1.948	0.646	1.874	2.676	2.090	0.740	-2.938***
Community	2.798	1.512	0.577	1.573	3.030	1.365	-2.300**
Control variables							
Leverage	2.236	9.115	2.328	11.132	2.063	2.501	0.361
Growth	0.162	0.682	0.202	0.809	0.085	0.309	2.025**
Size	14.639	1.978	14.471	2.171	14.939	1.604	-2.408***
Age	59.233	31.498	56.000	32.382	65.336	28.900	-2.898***

Source: This study. This table reports the descriptive statistics of the main variables used in the regression model. Statistics are provided for the entire sample, and FB (FAMM) and NFB separately. Mean difference t-test compares the mean values of the variables between FB and NFB under the null hypothesis that the mean values of the variables across the two sub-samples are equal. ***, **, * indicate that t-value is significant at 1%, 5%, and 10%, respectively. Definitions of the variables are provided in Appendix B

Table 3: Correlations

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. ROA														
2. ROE	0.528*													
3. CSR	0.172*	0.192*												
4. Environmental	0.089	0.039	0.866*											
5. Employees	0.182*	0.233*	0.899*	0.688*										
6. Customers	0.035	0.133*	0.439*	0.234*	0.306*									
7. Community	0.194*	0.216*	0.796*	0.544*	0.602*	0.326*								
8. FAMM	-0.135*	0.053	0.047	-0.034	0.020	0.159*	0.112*							
9. FAM1	0.061	0.114*	-0.064	-0.122*	-0.077	0.029	0.043	0.757*						
10. FAM12	-0.056	0.024	-0.044	-0.128*	0.040	0.045	-0.056	0.203*	0.432*					
11. FAM123	0.005	-0.026	-0.211*	-0.182*	-0.157*	-0.345*	-0.108*	-0.187*	0.267*	0.619*				
12. Leverage	-0.158*	-0.692*	-0.018	0.057	-0.087*	0.142*	-0.076	-0.014	-0.065	-0.011	-0.047			
13. Growth	0.254*	0.115*	-0.015	0.024	-0.017	0.016	-0.065	-0.081	-0.000	-0.009	0.025	-0.017		
14. Size	-0.031	0.124*	0.646*	0.484*	0.538*	0.603*	0.540*	0.111*	-0.092*	-0.078	-0.334*	0.088*	-0.049	
15. Age	-0.165*	0.010	0.050	0.063	0.144*	-0.041	-0.099*	0.141*	0.134*	0.150*	0.019	-0.113*	-0.071	0.100*

Source: This study. This table reports the correlations between the main variables of the research model. n=387 and *P<0.05. Definitions of the variables are provided in Appendix B

Table 4: System GMM results

Independent variables	(1) CSR	(2) ROE	(3) ROE	(4) ROE
LAGCSR	0.702*** (3.25)			
LAGROE		-0.359** (-2.37)	-0.356** (-2.39)	-0.356** (-2.41)
Leverage	0.025 (1.33)	-0.016*** (-3.94)	-0.016*** (-3.96)	-0.017*** (-3.93)
Growth	-0.596 (-1.55)	0.014 (1.56)	0.018** (2.02)	0.018** (2.00)
Size	-0.746 (-1.16)	-0.060 (-0.89)	-0.061 (-0.89)	-0.060 (-0.87)
Age	-0.008 (-0.20)	-0.000 (-0.20)	-0.000 (-0.13)	-0.000 (-0.12)
FAMM	1.761 (0.16)	-0.010 (-0.03)	0.030 (0.12)	-0.005 (-0.01)
CSR			0.005** (1.17)	0.004 (0.86)
FAMM×CSR				0.001 (0.13)
Industry	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
Sargan test Chi ²	35.643	26.131	26.879	27.058
Prob. >Chi ²	0.059	0.566	0.525	0.525
AR1	-0.488	-0.772	-0.790	-0.788
Prob. >z	0.625	0.440	0.429	0.431
AR2	0.611	-1.295	-1.322	-1.317
Prob. >z	0.541	0.195	0.186	0.188
Observations/groups	332/55	387/55	387/55	387/55
Instruments	37	47	48	49

*P<0.1; **P<0.05; ***P<0.01. Unstandardized regression coefficients and robust standard errors reported

the CSR-performance relationship. Specifically, family control strengthens the positive relationship between CSR and economic performance (ROE). It was observed that the coefficient of the term showing the interaction between CSR and FAMM (CSR × FAMM) is positive but is not significant (0.001; P > 10%). This result is contrary to the hypothesis H₃ which posed a positive moderator effect of family character in the CSR-performance relationship; therefore, the hypothesis is rejected. When the interaction term (CSR × FAMM) is included in Model 4, the CSR-performance relationship is no longer meaningful. Coefficient goes from being positive and significant in model 3 (0.005; P < 5%) To be positive but not significant in Model 4 (0.004; P > 10%). Overall, the results show that the CSR-performance relationship is determined by the variables leverage (-0.017; P < 1%) and growth (0.018; P < 5%). These results are contrary to previous studies suggesting a greater impact of adoption of CSR practices in FB performance (Berrone et al., 2010; Bingham et al., 2011; Block and Wagner, 2014; McGuire et al., 2012; Yu et al., 2015) As a result of the interest in preserving the reputation of the company and the family (Yu et al., 2015) mainly when, in addition to the shares over property, The family is also actively involved in the top management (Cui et al., 2018; Lamb and Butler, 2016).

As well, this does not imply that family businesses are more responsible than non-family businesses. Literature has suggested

the possibility of family businesses prioritizing CSR practices in accordance with their interests (Marques et al., 2014; McGuire et al., 2012; Wu et al., 2012). In the Colombian case (as shown earlier in the descriptive analysis) the results suggest that family businesses attach greater importance to client-and community-related practices. Neutralizer effect of family control in the CSR-performance relationship found in this study can be understood from the prioritization of interests, when family companies decide to attend to certain stakeholders, they may neglect the relationship with other stakeholders (Cruz et al., 2014), which in turn would reduce the effect on the CSR-performance relationship.

5.3. Robustness Tests

Additional analyses were performed to ensure the robustness of the results. These included other approximations for the model variables. First, it is used as measurement of the performance of ROA, this was calculated as the relationship between net income and total assets (Andres, 2008). Second, the model was run with four sub-indices of CSR (environmental, employees, customers, and community). Third, three alternative definitions were used for FB (FAM1, FAM12 and FAM123). FAM1 identified as family businesses those that had as principal controlling shareholder a family or a family group, FAM12 to those that their two principal controlling shareholders were families or family groups and FAM123 to the companies that their three controlling shareholders

principal were families or family groups. Finally, a nonlinear U-shaped relationship was studied. Results obtained in these analyses are similar to those presented in Table 4 and can be consulted at the request of the reader.

6. CONCLUDING REMARKS AND FUTURE RESEARCH

Nowadays, the adoption of CSR practices not only incorporates economic aspects, but also worries about social and environmental aspects (Paulík et al., 2015). Literature suggests that CSR is related to better economic performance. This premise has been the subject of debate since the beginning of the years 70 and, still today it continues to generate interest in the academy and in the business field. At the heart of this debate are the contradictory results that make it difficult to conclude on the effect of CSR on economic performance.

Several studies have found a direct linear relationship suggesting that the benefits of adopting CSR practices remains over time (e.g., Loureiro et al., 2012; Luo and Bhattacharya, 2006; Maignan and Ferrell, 2001; McWilliams and Siegel, 2000; Orlitzky et al., 2003). Other studies have shown that companies that do not adopt CSR strategies benefit from lower costs and therefore this relationship is negative (Aupperle et al., 1985; Davidson and Worrel, 1988; Vance, 1975). Some studies have studied a nonlinear relationship U-shaped. This relationship suggests that at an early stage companies incur costs that are subsequently recovered (Barnett and Salomon, 2006; Nollet et al., 2016). While an inverted d-U relationship suggests that in the first years after the adoption of such practices performance increases steadily, however, after a while it peaks and then gradually fades in the following years (Singh et al., 2017; Sun et al., 2018). Finally, other studies have shown neutrality in the relationship (e.g., Aupperle et al., 1985; Davidson and Worrell, 1990; Lindgreen et al., 2009; McGuire et al., 1988).

An approach that allows to explain these seemingly contradictory results is the one that suggests the existence of a moderating effect by some variables in that relationship. In this line, this study analyzed the effect of family control on the CSR-performance relationship. It was considered that the particularities of family businesses are related to the decision to implement or not CSR practices and therefore may have a moderating effect on that relationship.

Three findings stand out: (a) there was no relationship between family control and the adoption of CSR practices. This suggests that the family character of companies is not a decisive element in the intention of companies to adopt CSR strategies, therefore, family and non-family companies invest in CSR practices seeking to obtain economic benefits, and at the same time, resolve reputation issues (Faller and zu Knyphausen-Aufseß, 2018). In general, each company prioritizes the stakeholders it wants to attend, without implying that some are more responsible than the others; (b) evidence of a direct relationship between the adoption of CSR practices and economic performance was found, result

consistent with stakeholder theory; and (c) the family character does not influence the CSR-performance relationship.

The results show the following implications: the direct relationship between CSR practices and performance suggests that although companies incur additional costs to implement CSR strategies, they help me relationships with different stakeholders that can translate into benefits in economic development. In this way, companies should not see CSR as an expense that will affect their finances but as an investment they can recover.

This work provides empirical evidence to improve the understanding of the CSR-performance relationship in emerging countries that, by its characteristics, less institutional maturity, less efficient market mechanisms, greater problems of agency, greater concentration of ownership and less guidance to stakeholders (Shleifer and Vishny, 1997), require specific studies allowing companies to reduce competitiveness gaps opposite their counterparts in the developed countries (Idemudia, 2011). In that sense, future research should address some of the issues present in this work discussed.

First, the sample is composed by listed companies on the Colombia stock exchange. This implies that the results may be biased by a greater economic performance of companies listed on the stock market in comparison with those companies that are not. Taking into account companies listed in the Stock Exchange, both in Colombia and in Latin America, represent only a small proportion of the companies in each country, future research should incorporate a greater scope that allows a generalization of the results at the country level, and even at the level of Latin America. The incorporation of more global CSR indicators such as Ethos or GRI can help in this direction. Similarly, these global indicators can improve the limitations of content analysis used in this study.

Second, the results presented are based on information sample companies have disclosed. This may lead to a bias in results, as some companies do not disclose their behavior in terms of CSR because such adoption is not a fundamental part of their business strategy, unlike those that have enough resources and can implement this type of strategy. In this sense, the public information obtained represents the vision of the company. Future research could complement their analysis by studying the perception of the different stakeholders.

Third, although robust tests were made by incorporating other measurements for performance and family control, future research should deepen these elements. This study uses a definition of FB based on family control; it is recognized that in spite of the progress made in the area of FB, there is no consensus on a definition. Future research should include elements such as the presence of the family in the administration of the company (CEO, board of directors, high administration) or the desire to pass the company to other generations, elements that are considered key in other definitions of FB (Lagos and Botero, 2016). With regard to performance measurement, the analysis should be included, in addition to other financial-type measurements other than ROA and ROE, non-financial or even mixed measurements to incorporate

into the analysis the multiple dimensions that characterizing business performance (Dess and Robinson, 1984).

Fourth, although the notion of sustainable development suggests that CSR strategies are a priority for stakeholders, it should be recognized that not all stakeholders value them in the same way. In this sense, companies may devote some of their resources to implement social responsibility strategies focused on local contexts where they mainly develop their operations. Future research should consider the impact of generating RSR strategies according to geographical scope. These strategies may have a greater impact on performance when concentrated in those geographic areas where most of their operations are carried out, especially in family businesses. Similarly, the analysis should be considered not only to the concentration of ownership in family shareholders, it would also be useful to analyze the effect of property concentration on CSR strategies on other types of shareholders (e.g., the state, institutional investors, among others).

Five, future research could address the moderating effect of other variables. For example, characteristics of corporate governance such as the duality of the CEO, compensation policies, the structure and/or composition of the board of directors, and the reputation of the company, can be important to consider in the CSR-performance relationship. Finally, robustness tests included the analysis of a possible nonlinear relationship. The results found do not support any U-shaped or inverted U-shaped relationship. Future research should incorporate longer periods of analysis to address these types of relationships.

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APPENDIX

Appendix A: CSR practices

Environmental practices

- Does the company have environmental policies that show concern for the environment?
- Does the company have environmental management, systems and auditing that allow compliance with environmental policies?
- Does the company develop or promote activities in favor of conservation of natural resources?
- Does the company develop or promote recycling activities?
- Does the company develop or promote sustainability actions?
- Does the company include conservation of energy in the conduct of business operations?

Human resources practices

- Does the company have disclosure policies related to its human resources?
- Does the company care about employee health and safety?
- Does the company have labor inclusion policies for minorities or women?
- Does the company develop training plans for its employees?
- Does the company include assistance/benefits plans (other than legal requirements) for its employees?
- Does the company report employee remuneration?
- Does the company report employee profiles?
- Does the company offer employee share purchase schemes?
- Does the company care about moral issues in its employees?
- Does the company care about industrial relations?

Products and customers practices

- Does the company care about product quality?
- Does the company have strategies to ensure customer complaints/satisfaction?
- Does the company design products or services for provision for disabled, aged, and difficult-to-reach customers?

Community involvement practices

- Does the company perform charitable donations and activities?
- Does the company allocate resources for support for education?
- Does the company allocate resources for support for the arts and culture?
- Does the company allocate resources for support for public health?
- Does the company allocate resources for sponsoring sporting or recreational projects?

Source: Adapted from Castelo and Lima (2006)

Appendix B: Variables definition of the research model

Variable	Definition (data source)
ROE	Measurement of economic performance. Calculated as the ratio between net income and total equity (EMIS)
CSR	Measurement of CSR, including 24 practices related to the environment, human resources, products and customers and community involvement (annual reports)
FAMM	Dummy variable that takes the value of one when the company has family ownership more than 50% and zero otherwise (annual reports, Superintendencia de sociedades, superintendencia financiera)
FAMM×CSR	Interaction between the variables FAMM and CSR
Leverage	Firm leverage. Calculated as the ratio between total liabilities and total assets (EMIS)
Growth	Firm growth. Calculated as the percentage of change in sales from year t-1 to year t (EMIS)
Size	Firm size. Calculated as the natural logarithm of total assets (EMIS)
Age	Firm age. Calculated as the difference between year of the analysis and foundation date (annual reports)
Industry	Dummy variable to identify the industrial sector of the firm (superintendencia financiera)
Year	Dummy variable to identify the year of the analysis, 2010-2017

Source: This study

Chapter V: Conclusions and Recommendations

This chapter presents the conclusions and recommendations derived from the analysis of the relationship between the adoption of practices of social responsibility, family control and economic performance in Colombian companies.

Conclusions

Nowadays, the adoption of corporate social responsibility practices not only incorporates economic aspects, but also worries about social and environmental aspects (Paulík et al., 2015). Literature suggests that corporate social responsibility is related to better economic performance. This premise has been the subject of debate since the beginning of the years 70 and, still today it continues to generate interest in the academy and the business field. At the heart of this debate are the contradictory results that make it difficult to conclude on the effect of CSR on economic performance.

Several studies have found a direct linear relationship suggesting that the benefits of adopting CSR practices remain over time (e.g., Loureiro, Sardinha, & Reijnders, 2012; Luo & Bhattacharya, 2006; Maignan & Ferrell, 2001; McWilliams & Siegel, 2000; Orlitzky et al., 2003). Other studies have shown that companies that do not adopt CSR strategies benefit from lower costs and therefore this relationship is negative (Aupperle et al., 1985; Davidson & Worrel, 1988; Vance, 1975). Some studies have studied a nonlinear relationship U-shaped. This relationship suggests that at an early stage companies incur costs that are subsequently recovered (Barnett & Salomon, 2006; Nollet et al., 2016). While an inverted U-shaped relationship suggests that in the first years after the adoption of such practices performance increases steadily, however, after a while it peaks and then gradually fades in the following years (Singh et al., 2017; Sun et al., 2018). Finally, other studies have shown neutrality in the relationship (e.g., Aupperle et al., 1985; Davidson & Worrell, 1990; Lindgreen et al., 2009; McGuire, Sundgren, & Schneeweis, 1988).

An approach that allows us to explain these seemingly contradictory results is the one that suggests the existence of a moderating effect by some variables in that relationship. In this line, this study analyzed the effect of family control on the CSR-Performance relationship. It was considered that the particularities of family businesses are related to the decision to implement or not CSR practices and therefore may have a moderating effect on that relationship.

Three findings stand out: (a) There was no relationship between family control and the adoption of CSR practices. This suggests that the family character of companies is not a decisive element in the intention of companies to adopt CSR strategies, therefore, family and non-family companies invest in CSR practices seeking to obtain economic benefits, and at the same time, resolve reputation issues (Faller & Zu Knyphausen-Aufseß, 2018). In general, each company prioritizes the stakeholders it wants to attend, without implying that some are more responsible than the others; (b) Evidence of a direct relationship between the adoption of CSR practices and economic performance was found, result consistent with stakeholder theory; and (c) The family character does not influence the CSR-Performance relationship.

Implications

Our study has three theoretical implications. First, to our knowledge, this is one of the first studies to examine the CSR-Performance relationship with an emphasis on the moderating effect of family control in the Latin American context, specifically in Colombia. Although CSR-Performance relationship has been intensively analyzed (for instance, some recent meta-analysis are presented by Miras et al. (2014) and Wang et al. (2016)), only recently some studies (e.g. Labelle et al., 2018; Wang et al., 2016) explore the moderator role of ownership on the CSR-Performance relationship. Specifically, this study shows that family control does not affect the CSR-Performance relationship, thereby adding new insights to the literature to understand the contradictory results in the analysis of this relationship.

Second, the results show that there is a positive and significant relationship between CSR practices and performance, but this relationship is not significant in family businesses. This suggests that the family nature of companies is not a decisive element in the intention of companies to adopt CSR strategies. In this sense, both family and non-family businesses invest in CSR practices that seek to obtain economic benefits and, at the same time, solve reputation problems (Faller & Zu Knyphausen-Aufseß, 2018). These results are consistent with various studies that have shown a positive impact on performance as a result of adopting CSR practices (Allouche & Laroche, 2005; Miras et al., 2014; Orlitzky et al., 2003; Wu, 2006).

Third, this work provides empirical evidence to improve the understanding of the CSR-performance relationship in emerging countries that, by its characteristics, less institutional maturity, less efficient market mechanisms, greater problems of agency, a greater concentration of ownership and less guidance to stakeholders (Shleifer & Vishny, 1997), require specific studies allowing companies to reduce competitiveness gaps opposite their counterparts in the developed countries (Idemudia, 2011). In this sense, it is necessary to develop more research about other moderator variables, related to the firms and the context where they operate, which could affect the CSR-Performance relationship in emerging countries.

Also, one practical implication is derived from this study: the direct relationship between CSR practices and performance suggests that although companies incur additional costs to implement CSR strategies, this helps relationships with different stakeholders that can translate into benefits in economic development. In this way, companies should not see corporate social responsibility as an expense that will affect their finances, but as an investment that they can recover. Similarly, the non-significant relationship between family control and CSR practices implies that consultants and regulators should encourage small and

medium-sized organizations to promote CSR too. This must be accompanied by strategies that allow these companies to understand the benefits of adopting CSR practices since small and medium-sized organizations often see this only as a cost.

Limitations and future research directions

Several research limitations exist in our study. First, the sample is composed of listed companies on the Colombia Stock Exchange. This implies that the results may be biased by the greater economic performance of companies listed on the stock market in comparison with those companies that are not. Taking into account companies listed in the Stock Exchange, both in Colombia and in Latin America, represent only a small proportion of the companies in each country, future research should incorporate a greater scope that allows a generalization of the results at the country level, and even at the level of Latin America. The incorporation of more global CSR indicators such as Ethos or GRI can help in this direction. Similarly, these global indicators can improve the limitations of content analysis used in this study.

Second, the results presented are based on information sample companies have disclosed. This may lead to a bias in results, as some companies do not disclose their behavior in terms of corporate social responsibility because such adoption is not a fundamental part of their business strategy, unlike those that have enough resources and can implement this type of strategy. In this sense, public information obtained represents the vision of the company. Future research could complement their analysis by studying the perception of different stakeholders.

Third, although robust tests were made by incorporating other measurements for performance and family control, future research should deepen these elements. This study uses a definition of family business based on family control; it is recognized that despite the progress made in the area of family business, there is no consensus on a definition. Future

research should include elements such as the presence of the family in the administration of the company (CEO, board of directors, high administration) or the desire to pass the company to other generations, elements that are considered key. In other definitions of family business (Lagos & Botero, 2016). About performance measurement, the analysis should be included, in addition to other financial-type measurements other than ROA and ROE, non-financial or even mixed measurements to incorporate into the analysis the multiple dimensions that characterizing business performance (Dess & Robinson, 1984).

Fourth, although the notion of sustainable development suggests that corporate social responsibility strategies are a priority for stakeholders, it should be recognized that not all stakeholders value them in the same way. In this sense, companies may devote some of their resources to implement social responsibility strategies focused on local contexts where they mainly develop their operations. Future research should consider the impact of generating CSR strategies according to geographical scope. These strategies may have a greater impact on performance when concentrated in those geographic areas where most of their operations are carried out, especially in family businesses. Similarly, the analysis should be considered not only to the concentration of ownership in family shareholders, it would also be useful to analyze the effect of property concentration on CSR strategies on other types of shareholders (e.g., the state, institutional investors, among others).

Five, future research could address the moderating effect of other variables. For example, characteristics of corporate governance such as the duality of the CEO, compensation policies, the structure and/or composition of the board of directors, and the reputation of the company, can be important to consider in the CSR-Performance relationship. Finally, robustness tests included the analysis of a possible nonlinear relationship. The results found do not support any U-shaped or inverted U-shaped

relationship. Future research should incorporate longer periods of analysis to address these types of relationships.

Recommendations

Companies in emerging countries have understood that CSR can help them to reduce the competitiveness gap in front of their developed country pairs (Idemudia, 2011). This study confirms that CSR generates benefits to companies and society, therefore, these as the entities responsible for their supervision must increase efforts to mass their application.

That companies pay more attention to the implementation of CSR practices and, therefore, their relations with stakeholders generate benefits not only for companies but also for society as a whole. This means that companies focus on better business practices (more appropriate products and services, better customer relationships, environmentally friendly strategies) and focus on long-term profit. It is important to note that the implementation of CSR depends on the existence of an institutional framework and an infrastructure capable of supporting such inciting, therefore, regulators are advised to develop, support and exalt companies that want to contribute to building a better society. By this way, incorporating CSR into the organizational strategy will help companies to improve acceptance levels in the community as a way to respond to the growing pressures of sustainable development (Bonsón & Bednárová, 2015; Vives & Peinado-Vara, 2011) that will allow them to obtain economic benefits while improving the conditions of their stakeholders.

One of the premises of CSR is to reconcile the interests of all stakeholders with the interests of the organization. CSR can help to improve the organizational strategy since it incorporates other governance elements related to employees, suppliers, environmental and ethical considerations, among others. However, given that CSR is part of a voluntary commitment on the part of the companies to their stakeholders, there is a high degree of flexibility in the definition of the CSR strategy that allows companies to decide on the aspects

they consider important (Arango, Mercado-Caruso, Del Giudice, & Oliveros, 2019). Then, companies must be careful when prioritizing stakeholders in their CSR strategies. It should be avoided that by giving priority to a stakeholder it ends up affecting others that can ultimately impact the organization's performance.

The adoption of a CSR conquered implies taking on short-term costs with the expectation of a long-term reward (Cox et al., 2004; Jia & Zhang, 2013). This does not imply that CSR is a strategy that only large companies can adopt, but, small and medium-sized enterprises can impact their stakeholders through CSR strategies that do not involve large investments and if they can generate an impact in the organization's performance (e.g., good practices with its employees and suppliers).

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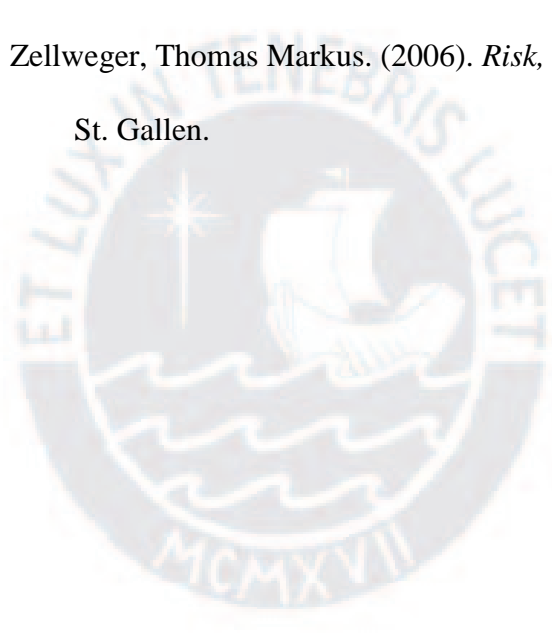
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Appendix A. Informed Consent

Given the nature of the research, an informed consent format was not used.



Appendix B. Research Instruments

Table A1. *CSR Practices*

Environmental practices
Does the company have environmental policies that show concern for the environment?
Does the company have environmental management, systems and auditing that allow compliance with environmental policies?
Does the company develop or promote activities in favor of conservation of natural resources?
Does the company develop or promote recycling activities?
Does the company develop or promote sustainability actions?
Does the company include conservation of energy in the conduct of business operations?
Human resources practices
Does the company have disclosure policies related to its human resources?
Does the company care about employee health and safety?
Does the company have labor inclusion policies for minorities or women?
Does the company develop training plans for its employees?
Does the company include assistance/benefits plans (other than legal requirements) for its employees?
Does the company report employee remuneration?
Does the company report employee profiles?
Does the company offer employee share purchase schemes?
Does the company care about moral issues in its employees?
Does the company care about industrial relations?
Products and customers practices
Does the company care about product quality?
Does the company have strategies to ensure customer complaints/satisfaction?
Does the company design products or services for provision for disabled, aged, and difficult-to-reach customers?
Community involvement practices
Does the company perform charitable donations and activities?
Does the company allocate resources for support for education?
Does the company allocate resources for support for the arts and culture?
Does the company allocate resources for support for public health?
Does the company allocate resources for sponsoring sporting or recreational projects?

Source: Adapted from Goodman, M. B., Castelo Branco, M., & Lima Rodrigues, L. (2006). Communication of corporate social responsibility by Portuguese banks: A legitimacy theory perspective. *Corporate Communications: An International Journal*, 11(3), 232–248.

Appendix C. Research Proposal Presentation

Slide 1




Slide 2

**CORPORATE SOCIAL RESPONSIBILITY
PRACTICES AND ECONOMIC
PERFORMANCE IN COLOMBIA: THE
MODERATING EFFECT OF FAMILY
CONTROL**

Research Proposal
Juan Diego Alzate Gómez
DBA CENTRUM-MSM III Bogotá

The slide includes several logos at the bottom. On the left is the CENTRUM PUCP logo. In the center, there are three accreditation logos: AACSB (ACCREDITED), EQUIS (ACCREDITED), and AMBA (ACCREDITED). On the right is the ESPALAN DE EXCELENCIA logo, which features a stylized tree and the text "ESPALAN DE EXCELENCIA" and "MCMXVII".

Slide 3



CENTRUM
PUCP

Statement of the Problem

Companies deal with **pressures for legitimacy** and social acceptance wherever they operate (Yang, Su, & Fam, 2012). **CSR has become a valuable tool for companies** in their quest for legitimacy and recognition by society. They meet new **challenges to pursue economic benefit**, while **also pursuing social benefit** (contributing to create a more favorable and inclusive social context, **with greater benefit for all society**) (Caravedo, 2011).

Understanding the relationship between **economic performance and CSR is essential** for companies, as it allows them to adopt practices that combine their interests with those of their stakeholders. In this way they find a balance between economic, social and environmental aspects (L. V. Fernández, Jara-Bertin, & Villegas, 2015).

The percentage of family businesses whom reach a **successfully transit to next generation is low** (Gallo, Klein, Montemerlo, Tomaselli, & Cappuyns, 2009). Only **33%** of family businesses manage to move to second generation, **12%** reaches the third generation, and 3% the fourth generation (Credit Suisse, 2015).

CSR practices helps family businesses increase their legitimacy and economic performance (Lindgreen, Swaen, & Johnston, 2009), chances of successfully passing to the next generations can be improved.

Although Colombian stock-market (BVC) is carrying out programs for listed companies for developing their sustainability reports according to the newest standard from the Global Reporting Initiative (GRI4), **this trend is not supported by empirical evidence for Colombian market where family control and the adoption of CSR practices are related to economic performance.**

Pressure for legitimacy (international environments)

→ **CSR as tool for balancing economical, social and environmental issues**


→ **Only 12% passes to 3rd generation, only 33% to second.**

→ **CSR improves economic performance?**

→ **Family control and CSR adoption in Colombia, are they related?**

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Slide 4



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Research Questions

- Do family business are more **likely to adopt** corporate social responsibility practices?
- Do CSR practices **influence economic performance** in colombian firms?
- Do **family control** affects the relationship between CSR practice and economic performance?

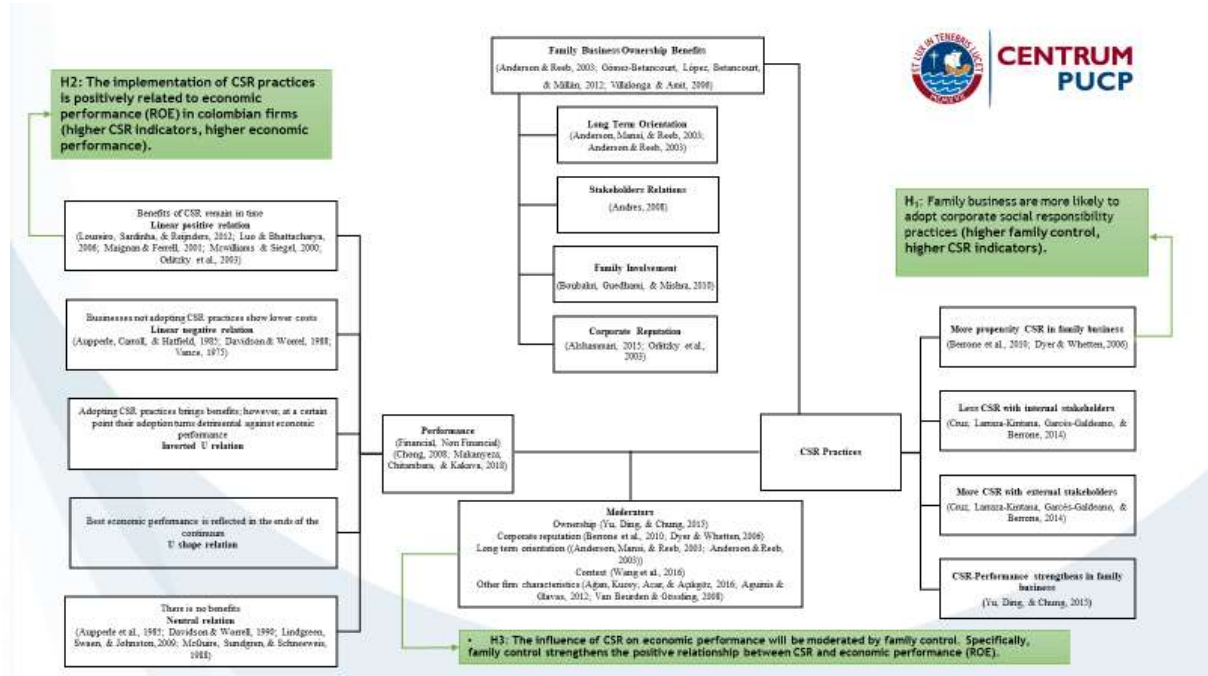
FM Adoption of CSR (likely to adopt)

→ **CRS and economic performance (influence)**

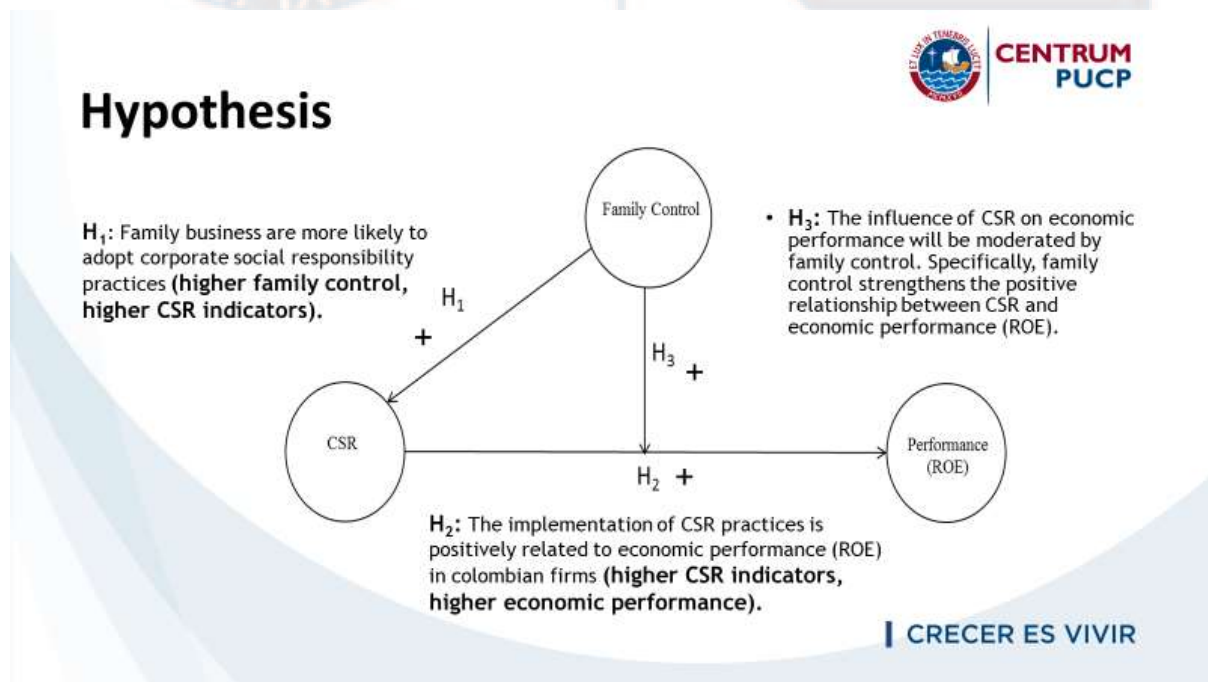
→ **Family Control and CSR Vs Performance (moderator)**

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Slide 5



Slide 6



Slide 7

Method



This study is based on a **positivist approach**, aimed at obtaining knowledge through statistical analysis of data (Del Canto & Silva, 2013). In this proposal, the **hypothetical-deductive** method is used to study the relationship between family control and CSR practices with economic performance.

The **hypothetical-deductive method** links the theory with observation to deduce the phenomenon of study from theory (Newman, 2006). As a result of this observation, some possible hypothesis is proposed to explain the behavior of this phenomenon

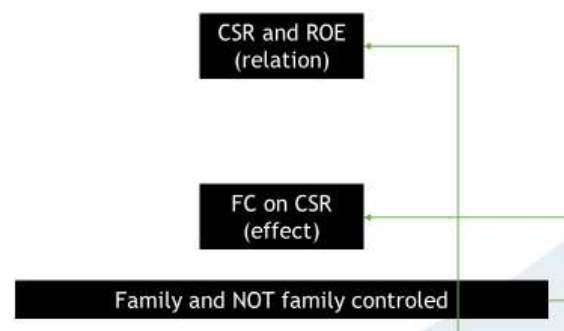
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Slide 8

Objetives



- This descriptive-quantitative study is twofold. On the one hand, it seeks to:
 - **Determine the relationship** between the implementation of CSR practices and economic performance in companies listed on the Colombian Stock Exchange during the 2008-2017 period.
 - **To identify the effect of family control on the CSR-Performance relationship.**
- This study adopts a **comparative approach** between family and nonfamily businesses in order to determine if the implementation of CSR practices and its possible different connection with economic performance depending on family nature.



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Slide 9

Population and Context



- Companies that trade stocks on the Colombian Stock Exchange during the 2008-2017.
- A total of **70** companies traded stocks during that period.
- **Familiar Vs. Non Familiar controlled based.**
- The population comprises companies grouped in **six economic sectors:**
Industrial, Financial, Agricultural and Farming, Services, Construction and Public Services.

56% of Colombian companies are family businesses, previous studies suggest 70% (Superintendencia de Sociedades, 2006)

The **concentration of power is common in family enterprises** (Acero & Alcalde, 2016). The unification of the ownership and control mitigates agency problems given that aligns the interests of shareholders and managers (Carney, 2005).

BVC is the 4rd largest in latinamerica



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Slide 10

Research model (H1)

H₁: Family business are more likely to adopt corporate social responsibility practices (higher family control, higher CSR indicators).



$$CSR_{i,t} = \beta_0 + \beta_X FAMILY_{i,t} + \beta_Y CONTROL_{i,t} + \varepsilon \quad (1)$$

- CSR: Environmental, human resources, product and customers and community involvement practices (Goodman et al., 2006)
- FAMILY: Dummy variable. Family is the shareholder with the largest share of voting rights (Villalonga y Amit, 2006)

CONTROL VARIABLES

- Leverage: Ratio between total liabilities and total assets (Boubakri et al., 2010)
- Sales growth: Percentage of change in sales from year t-1 to year t (Petrakis, 1997)
- Firm size: Natural logarithm of total assets (Jara-Bertin & López-Iturriaga, 2014)
- Contest: Response capacity of the second and third controlling shareholder in the face of the first controlling shareholder (Maury & Pajuste, 2005)
- Dummies (Industry, Year)

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Slide 11

Research model (H2, H3)



$$ROE_{i,t} = \beta_0 + \beta_X FAMILY_{i,t} + \beta_Y CONTROL_{i,t} + \beta_Z LAGROE_{i,t} + \varepsilon \quad (1)$$

$$ROE_{i,t} = \beta_0 + \beta_X FAMILY_{i,t} + \beta_Y CSR_{i,t} + \beta_Z CONTROL_{i,t} + \beta_Z LAGROE_{i,t} + \varepsilon \quad (2)$$

$$ROE_{i,t} = \beta_0 + \beta_V FAMILY_{i,t} + \beta_W CSR_{i,t} + \beta_X CONTROL_{i,t} + \beta_Y CSR_{i,t} + \beta_Z LAG_{ROE}_{i,t} + \varepsilon \quad (3)$$

- ROE: Quotient between net income and total equity (Andres, 2008)
- CSR: Environmental, human resources, product and customers and community involvement practices (Goodman et al., 2006)
- FAMILY: Dummy variable. Family is the shareholder with the largest share of voting rights (Villalonga y Amit, 2006)

CONTROL VARIABLES

- Leverage: Ratio between total liabilities and total assets (Boubakri et al., 2010)
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- Dummies (Industry, Year)

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Slide 12

Validity and Reliability



- To guarantee data validity and reliability a normality tests will be carried out, as well as:
- **Analysis of extreme values.**
- **Robustness tests: Other performance measurements such as the ROA.**
 - In the case of family control, another approach will be used for a family business, which will consider a company as a family when the first two controlling shareholders are families or family groups.
- For correlation analysis, **Variance Inflation Factor** will be used to detect **multicollinearity** problem in the variables (Chatterjee & Hadi, 2015).
- **RSE-Performance relationship behaves in a U-shape** (Sun et al., 2018). In tests of robustness will seek to validate this fact.
- To better illustrate the **moderating effect of family control** in the CSR-Performance relationship, the approach of Aiken & West (1991) will be used to **identify significant interaction effects** (with p-value <0.10 or greater). In this approach, a standard deviation, either above or below the mean will represent high and low levels of moderation, respectively (Zhao, Chen, & Xiong, 2016).
- To ensure the **robustness of the results**, **additional tests** will be included using as a measurement of CSR each of the **four groups of practices studied** (environmental, human resources, product and customers and community involvement). This will determine whether any of them have greater influence on the CSR-performance relationship. In the same way, analysis will be included with the family control variable as a continuous variable that indicates the percentage of family control in each company.

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Limitations



- **Listed firm.** As a result of bias in the selection related with economic performance.
- **Colombian firms.** Which possess particular characteristics that make the generalization of results to Latin American businesses difficult.
- The study does not intend to collect information on people belonging to other stakeholders; it is recognized that this approach might complement public information available on companies.
- **Measurement of CSR.** Different strategies have been used (content analysis, indexes, interviews and surveys, etc.). We opted for content analysis given that few companies in Colombia report their CSR practices through indices such as Ethos or GRI.
- **Listed companies are less prone to participate in studies conducted through surveys or interviews.** Although CSR will be measured based on an analysis of content, it is possible that some practices are left outside the analysis. Although companies are not obliged to disclose information about CSR practices that they have developed during the year, it is customary that they are included in the annual reports. However, it is possible that smaller companies perform and disclose to a lesser extent CSR that can tilt the sample towards companies with higher market capitalization
- **Family business definition (family control):** it is recognized that in spite of the progress made in the area of family business, there is no consensus on a definition
- **Performance measurement:** is a complex task that involves multiple dimensions (Dess & Robinson, 1984) that can be approximated from financial and non-financial measurements, or by a combination of these (e.g., Chong, 2008; Makanyeza et al., 2018). Due to the limited information on companies, this study only focuses on the measurement of performance from a financial perspective (ROE).

Slide 14

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Appendix D. Thesis Presentation



Slide 1



Slide 2



Slide 3

Statement of the Problem

Companies deal with **pressures for legitimacy** and social acceptance wherever they operate (Yang, Su, & Fam, 2012). **CSR has become a valuable tool for companies** in their quest for legitimacy and recognition by society. They meet new **challenges to pursue economic benefit**, while **also pursuing social benefit** (contributing to create a more favorable and inclusive social context, **with greater benefit for all society**) (Caravedo, 2011).

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Although Colombian stock-market (BVC) is carrying out programs for listed companies for developing their sustainability reports according to the newest standard from the Global Reporting Initiative (GRI4), **this trend is not supported by empirical evidence for Colombian market where family control and the adoption of CSR practices are related to economic performance.**

Pressure for legitimacy (international environments)

CSR as tool for balancing economical, social and environmental issues



Only 12% passes to 3rd generation, only 33% to second.

CSR improves economic performance?

Family control and CSR adoption in Colombia, are they related?

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Slide 4

Research Questions

- Do family business are more **likely to adopt** corporate social responsibility practices?
- Do CSR practices **influence economic performance** in Colombian firms?
- Does **family control affect** the relationship between CSR practice and economic performance?

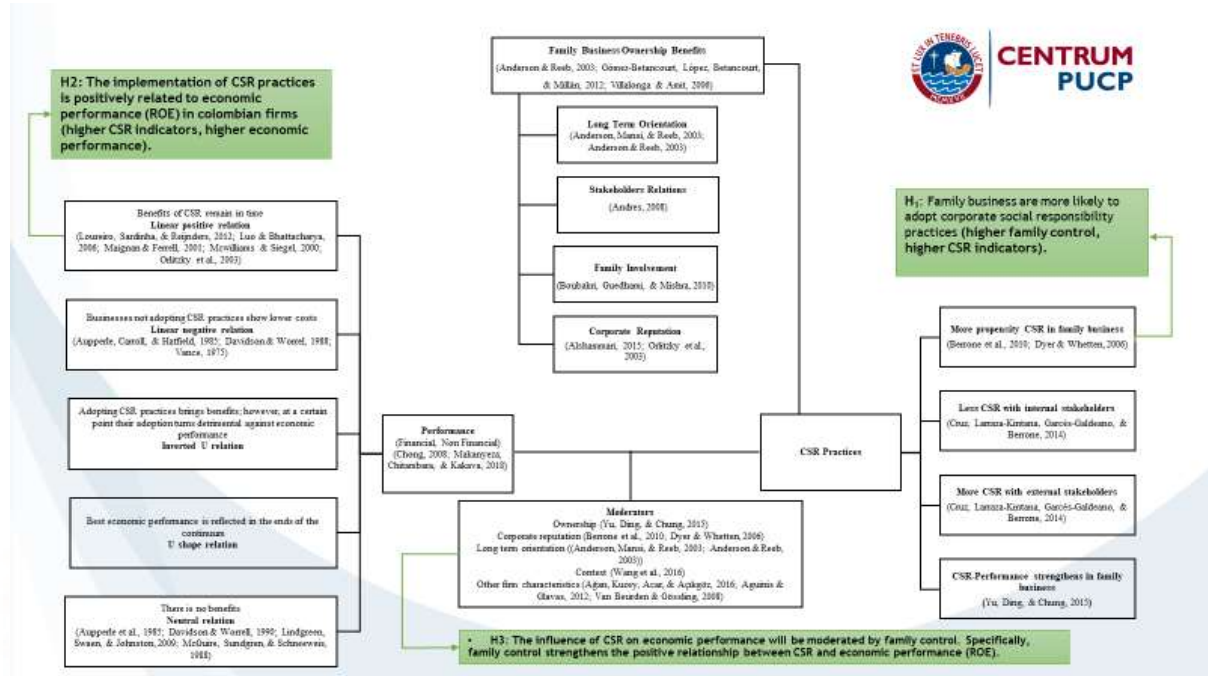
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CRS and economic performance (influence)

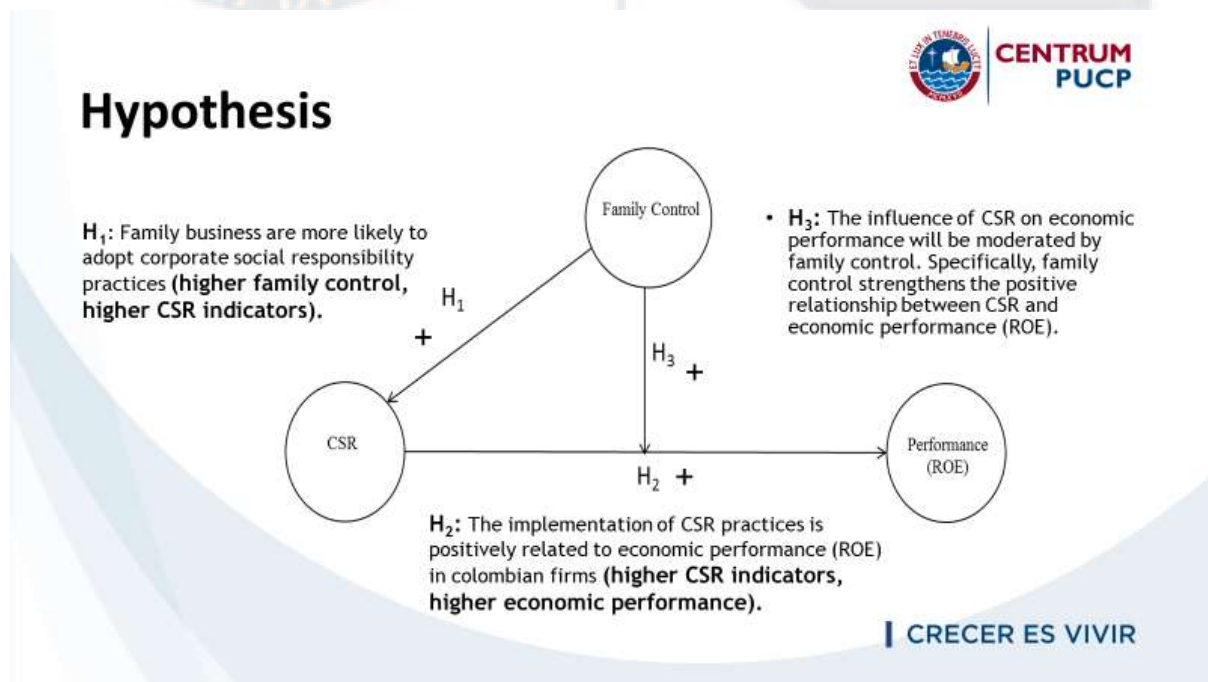
Family Control and CSR Vs Performance (moderator)

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Slide 5



Slide 6



Slide 7

Method



This study is based on a **positivist approach**, aimed at obtaining knowledge through statistical analysis of data (Del Canto & Silva, 2013). In this proposal, **the hypothetical-deductive method** is used to study the relationship between family control and CSR practices with economic performance.

The **hypothetical-deductive method** links the theory with observation to deduce the phenomenon of study from theory (Newman, 2006). As a result of this observation, some possible hypothesis is proposed to explain the behavior of this phenomenon

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Slide 8

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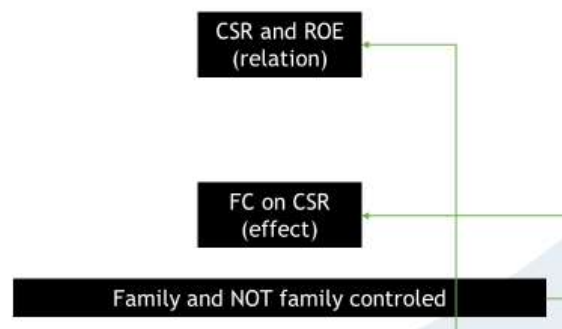
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Slide 9

Objetives

- This descriptive-quantitative study is twofold. On the one hand, it seeks to:
 - **Determine the relationship between the implementation of CSR practices and economic performance** in companies listed on the Colombian Stock Exchange during the 2008-2017 period.
 - **To identify the effect of family control on the CSR-Performance relationship.**
- This study adopts a **comparative approach between family and nonfamily businesses** in order to determine if the implementation of CSR practices and its possible different connection with economic performance depending on family nature.



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Slide 10

Population and Context

- Companies that trade stocks on the Colombian Stock Exchange during the 2008-2017.
- A total of **70** companies traded stocks during that period.
- **Family vs Non-Family controlled based.**
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Industrial, Financial, Agricultural and Farming, Services, Construction and Public Services.

56% of Colombian companies are family businesses, previous studies suggest 70% (Superintendencia de Sociedades, 2006)

The concentration of power is common in family enterprises (Acero & Alcalde, 2016). The unification of the ownership and control mitigates agency problems given that aligns the interests of shareholders and managers (Carney, 2005).

BVC is the 4rd largest in latinamerica



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Slide 11

Sampling Frame

- Sampling was done for convenience.

- Each firm-year observation should have available information on:

(a) financial variables (total assets, total debt, total equity, sales and net incomes)

(b) family business attributes (family control)

(c) To have informed in the annual report about the CSR practices adopted during the year.

The information contained in (a) was obtained from the EMIS database, while the information contained in (c) was obtained from a content analysis of the annual reports. Finally, the information contained in (b) was obtained from the national registry of securities and issuers (RNVE).

- ✓ Unbalanced data panel
- ✓ 387 firm-year observations
- ✓ 55 companies



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Slide 12

Data Analysis

- To characterize the sample, a descriptive and correlational analysis was carried out for all the variables of the model.
- The descriptive analysis included tests (t test) to determine if there are differences between family and non-family companies in the average in all the variables of the model.
- In the correlation analysis, the variance inflation factor was used to detect multicollinearity problem in the variables (Chatterjee & Hadi, 2015).
- The hypotheses were validated by hierarchical regression models through GMM.



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Research model (H1)

H₁: Family business are more likely to adopt corporate social responsibility practices (higher family control, higher CSR indicators).



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$$CSR_{i,t} = \beta_0 + \beta_X FAMILY_{i,t} + \beta_Y CONTROL_{i,t} + \varepsilon \quad (1)$$

- CSR: Environmental, human resources, product and customers and community involvement practices (Goodman et al., 2006)
- FAMILY: Four criteria were used to classify companies like FB
 1. 50% or more of the property in the hands of one or more family groups (FAMM)
 2. The first controlling shareholder was a family group (FAM1)
 3. The first and second controlling shareholder were family groups (FAM12)
 4. Three main controlling shareholders were family groups (FAM123)

CONTROL VARIABLES

- Leverage: Ratio between total liabilities and total assets (Boubakri et al., 2010)
- Sales growth: Percentage of change in sales from year t-1 to year t (Petrakis, 1997)
- Firm size: Natural logarithm of total assets (Jara-Bertin & López-Iturriaga, 2014)
- Contest: Response capacity of the second and third controlling shareholder in the face of the first controlling shareholder (Maury & Pajuste, 2005)
- Dummies (Industry, Year)

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Research model (H2, H3)



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$$ROE_{i,t} = \beta_0 + \beta_X FAMILY_{i,t} + \beta_Y CONTROL_{i,t} + \beta_Z LAGROE_{i,t} + \varepsilon \quad (1)$$

$$ROE_{i,t} = \beta_0 + \beta_X FAMILY_{i,t} + \beta_Y CSR_{i,t} + \beta_Z CONTROL_{i,t} + \beta_Z LAGROE_{i,t} + \varepsilon \quad (2)$$

$$ROE_{i,t} = \beta_0 + \beta_V FAMILY_{i,t} + \beta_W CSR_{i,t} + \beta_X CONTROL_{i,t} + \beta_Y CSRFAMILY_{i,t} + \beta_Z LAG_ROE_{i,t} + \varepsilon \quad (3)$$


- ROE: Quotient between net income and total equity (Andres, 2008)
- CSR: Environmental, human resources, product and customers and community involvement practices (Goodman et al., 2006)
- FAMILY: Dummy variable


CONTROL VARIABLES

- Leverage: Ratio between total liabilities and total assets (Boubakri et al., 2010)
- Sales growth: Percentage of change in sales from year t-1 to year t (Petrakis, 1997)
- Firm size: Natural logarithm of total assets (Jara-Bertin & López-Iturriaga, 2014)
- Contest: Response capacity of the second and third controlling shareholder in the face of the first controlling shareholder (Maury & Pajuste, 2005)
- Dummies (Industry, Year)

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Results (Descriptive)

Table 1. Distribution of family firms per shareholders and Industrial sector

Panel A: Family firms per shareholders				
	Family	Non-Family	%Family	%Non-Family
Majority family shareholding, more than 50% (FAMM)	134	253	34.63	65.37
First controlling shareholder (FAM1)	186	201	48.06	51.94
Two main controlling shareholders (FAM12)	57	330	14.73	85.27
Three main controlling shareholders (FAM123)	24	363	6.20	93.80

Panel B: Family firms per industrial sector				
	FAM_M	FAM1	FAM12	FAM123
Industrial	40 (10.3%)	62 (16.0%)	30 (7.8%)	22 (5.7%)
Financial	44 (11.4%)	59 (15.2%)	16 (4.1%)	0 (0.0%)
Agroindustry	19 (4.9%)	19 (4.9%)	0 (0.0%)	0 (0.0%)
Services	16 (4.1%)	19 (4.9%)	11 (2.8%)	2 (0.5%)
Construction	15 (3.9%)	21 (5.4%)	0 (0.0%)	0 (0.0%)
Utilities	0 (0.0%)	6 (1.6%)	0 (0.0%)	0 (0.0%)

Notes: FAMM is the variable for identify the family business which main results of this study are presented. FAM1, FAM12 and FAM123 are different variables that were used in the robustness tests. Definitions of the variables are provided in Appendix C.

Source: This study

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Results (Descriptive and mean comparisons)

Table 2. Descriptive statistics and mean comparisons of the variables used in estimations

	Full sample (N=387)		NFB (N=253)		FB (N=134)		t-value
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	
Performance							
ROE	0.068	0.198	0.060	0.237	0.082	0.083	-1.336*
ROA	0.046	0.062	0.052	0.070	0.035	0.041	3.115***
CSR Practices							
CSR	14.568	5.165	14.391	5.771	14.903	3.761	-1.051
ENVIRONMENTAL	4.096	2.024	4.146	2.223	4.000	1.585	0.748
EMPLOYEES	5.726	2.142	5.696	2.309	5.784	1.791	-0.414
CUSTOMERS	1.948	0.646	1.874	2.676	2.090	0.740	-2.938***
COMMUNITY	2.798	1.512	0.577	1.573	3.030	1.365	-2.300**
Control variables							
LEVERAGE	2.236	9.115	2.328	11.132	2.063	2.501	0.361
GROWTH	0.162	0.682	0.202	0.809	0.085	0.309	2.025**
SIZE	14.639	1.978	14.471	2.171	14.939	1.604	-2.408***
AGE	59.233	31.498	56.000	32.382	65.336	28.900	-2.898***

Notes: This table reports the descriptive statistics of the main variables used in the regression model. Statistics are provided for the entire sample, and FB (FAMM) and

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Regression Results

Table 4. System GMM Results

	(1)	(2)	(3)	(4)
	CSR	ROE	ROE	ROE
LAGCSR	0.702*** (3.25)			
LAGROE		-0.359** (-2.37)	-0.356** (-2.39)	-0.356** (-2.41)
LEVERAGE	0.025 (1.33)	-0.016*** (-3.94)	-0.016*** (-3.96)	-0.017*** (-3.93)
GROWTH	-0.596 (-1.55)	0.014 (1.56)	0.018** (2.02)	0.018** (2.00)
SIZE	-0.746 (-1.16)	-0.060 (-0.89)	-0.061 (-0.89)	-0.060 (-0.87)
AGE	-0.008 (-0.20)	-0.000 (-0.20)	-0.000 (-0.13)	-0.000 (-0.12)
FAMM	1.761 (0.16)	-0.010 (-0.03)	0.030 (0.12)	-0.005 (-0.01)
CSR			0.005** (1.17)	0.004 (0.86)
FAMM x CSR				0.001 (0.13)



INDUSTRY	Yes	Yes	Yes	Yes
YEAR	Yes	Yes	Yes	Yes
Sargan test chi2	35.643	26.131	26.879	27.058
Prob>chi2	0.059	0.566	0.525	0.525
AR1	-0.488	-0.772	-0.790	-0.788
Prob>z	0.625	0.440	0.429	0.431
AR2	0.611	-1.295	-1.322	-1.317
Prob>z	0.541	0.195	0.186	0.188
Observations/Groups	332/55	387/55	387/55	387/55
Instruments	37	47	48	49

*p < 0.1; **p < 0.05; ***p < 0.01. Unstandardized regression coefficients and robust standard errors reported.

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Results (Robustness tests)



1. It is used as measurement of the performance of ROA, this was calculated as the relationship between net income and total assets (Andres, 2008).
2. The model was run with four sub-indices of CSR (ENVIRONMENTAL, EMPLOYEES, CUSTOMERS, and COMMUNITY).
3. Three alternative definitions were used for family business (FAM1, FAM12 and FAM123)
4. A nonlinear U-shaped relationship was studied.

Results obtained in these analyses are similar to those presented in Table 4

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Conclusions



- **There was no relationship between family control and the adoption of CSR practices.** This suggests that the family character of companies is not a decisive element in the intention of companies to adopt CSR strategies, therefore, family and non-family companies invest in CSR practices seeking to obtain economic benefits, and at the same time, resolve reputation issues (Faller & zu Knyphausen-Aufseß, 2018). In general, each company prioritizes the stakeholders it wants to attend, without implying that some are more responsible than the others.
- **Evidence of a direct relationship between the adoption of CSR practices and economic performance was found, result consistent with stakeholder theory**
- **The family character does not influence the CSR-Performance relationship.**

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Implications (Theoretical)



This is **one of the first studies to examine the CSR-Performance relationship with an emphasis on the moderating effect of family control** in the Latin American context, specifically in Colombia. Specifically, this study shows that **family control does not affect the CSR-Performance relationship**, thereby adding new insights to the literature to understand the contradictory results in the analysis of this relationship.

The results show that there is a **positive and significant relationship between CSR practices and performance**, but this relationship is **not significant in family businesses**. In this sense, **both family and non-family businesses invest in CSR practices that seek to obtain economic benefits and, at the same time, solve reputation problems**. These results are consistent with various studies that have shown a positive impact on performance as a result of adopting CSR practices (Allouche & Laroche, 2005; Miras et al., 2014; Orlitzky et al., 2003; Wu, 2006).

This work provides empirical evidence to improve the understanding of the CSR-performance relationship in **emerging countries** that, by its characteristics require specific studies allowing companies to reduce competitiveness gaps opposite their counterparts in the developed countries.

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Implications (Practical)



The **direct relationship between CSR practices and performance** suggests that although companies **incur additional costs to implement CSR strategies**, this helps relationships with different stakeholders that can translate into benefits in economic development. In this way, companies **should not see corporate social responsibility as an expense that will affect their finances, but as an investment that they can recover.**

Similarly, the **non-significant relationship between family control and CSR practices** implies that **consultants and regulators should encourage small and medium-sized organizations to promote CSR too.** This must be accompanied by strategies that allow these companies to understand the **benefits of adopting CSR practices since small and medium-sized organizations often see this only as a cost.**

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Recomendations



- Companies in emerging countries have understood that **CSR can help them to reduce competitiveness gap** in front of their developed country pairs (Idemudia, 2011). This study confirms that CSR generates benefits to companies and society, therefore, these as **the entities responsible for their supervision must increase efforts to mass their application.**
- **Implementation of CSR depends on existence of an institutional framework and an infrastructure.** Regulators are advised to develop, support and exalt companies that want to contribute to building a better society. By this way, **incorporating CSR into the organizational strategy will help companies to improve acceptance levels in the community** as a way to respond to the growing pressures of sustainable development (Bonsón & Bednárová, 2015; Vives & Peinado-Vara, 2011).
- Companies must be careful when prioritizing stakeholders in their CSR strategies. It should be avoided that by **giving priority to a stakeholder it ends up affecting others that can ultimately impact the organization's performance.**
- **Adoption of a CSR conquered implies taking on short-term costs with the expectation of a long-term reward** .(Cox et al., 2004; Jia & Zhang, 2013).

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Limitations



- **Sample is composed by listed companies on the Colombia Stock Exchange.** This implies that the results may be biased by a greater economic performance of companies listed on the stock market **in comparison with those companies that are not.** Taking into account companies listed in the Stock Exchange, both in Colombia and in Latin America, represent only a small proportion of the companies in each country, **future research should incorporate a greater scope that allows a generalization of the results** at the country level, and even at the level of Latin America. **The incorporation of more global CSR indicators such as Ethos or GRI can help** in this direction. Similarly, these global indicators can improve the limitations of content analysis used in this study.
- **Results presented are based on information sample companies have disclosed.** This may lead to a bias in results, as some companies do not disclose their behavior in terms of corporate social responsibility because such adoption is not a fundamental part of their business strategy, unlike those that have enough resources and can implement this type of strategy. In this sense, **the public information obtained represents the vision of the company.** Future research could complement their analysis by studying the perception of the different stakeholders.

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Limitations



- Although robust tests were made by incorporating other measurements for performance and family control, future research should deepen these elements. **This study uses a definition of family business based on family control;** it is recognized that in spite of the progress made in the area of family business, **there is no consensus on a definition.** Future research should include **elements such as the presence of the family in the administration of the company** (CEO, board of directors, high administration) or the desire to pass the company to other generations, elements that are considered key in other definitions of family business (Lagos & Botero, 2016). With regard to performance measurement, **the analysis should be included, in addition to other financial-type measurements other than ROA and ROE, non-financial or even mixed measurements** to incorporate into the analysis the multiple dimensions that characterizing business performance (Dess & Robinson, 1984).
- Although the notion of **sustainable development suggests that corporate social responsibility strategies are a priority for stakeholders, it should be recognized that not all stakeholders value them in the same way.** In this sense, companies may devote some of their resources to implement social responsibility strategies focused on local contexts where they mainly develop their operations. Future research should consider the impact of generating CSR strategies according to geographical scope.

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Limitations



- **Future research could address the moderating effect of other variables.** For example, characteristics of corporate governance such as the duality of the CEO, compensation policies, the structure and/or composition of the board of directors, and the reputation of the company, can be important to consider in the CSR-Performance relationship.
- Robustness tests included the analysis of a possible nonlinear relationship. **Results found does not support any U-shaped or inverted U-shaped relationship.** Future research should incorporate longer periods of analysis to address these types of relationships.

Appendix E. Literature Map

Figure A1. Literature map of CSR-Performance relation

