International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at http: www.econjournals.com

International Journal of Economics and Financial Issues, 2020, 10(1), 6-18.

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

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Received: 12 October 2019 **Accepted:** 08 December 2019 **DOI:** https://doi.org/10.32479/ijefi.8856

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 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; Sirmon 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 Martin-

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 Ghoul 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 Ghoul 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-aversive 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 Ghoul 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 Ghoul 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 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:

H_1: 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:

H_2: 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 (H_1), added to the positive relationship between CSR practices and performance (H_2) 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 Ghoul 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 H_1 the model of equation (1) was used. The hierarchical linear regression models of equations (2), (3) and (4) were used to verify hypotheses H_2 and H_3. 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.

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

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

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

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

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 H_1 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; Orlitzky 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**	−0.356**	−0.356**
		(−2.37)	(−2.39)	(−2.41)
Leverage	0.025	−0.016***	−0.016***	−0.017***
	(1.33)	(−3.94)	(−3.96)	(−3.93)
Growth	−0.596	0.014	0.018**	0.018**
	(−1.55)	(1.56)	(2.02)	(2.00)
Size	−0.746	−0.060	−0.061	−0.060
	(−1.16)	(−0.89)	(−0.89)	(−0.87)
Age	−0.008	−0.000	−0.000	−0.000
	(−0.20)	(−0.20)	(−0.13)	(−0.12)
FAMM	1.761	−0.010	0.030	−0.005
	(0.16)	(−0.03)	(0.12)	(−0.01)
CSR			0.005**	0.004
			(1.17)	(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 H_3 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 comparation 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