Ownership and Control, Corporate Social Responsibility, and the Institutional Context in East Asia

Szu-Yu Chen

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Supervised by Prof. Emmanuel Adegbite, Prof. Judy Muthuri and Dr Tam Nguyen

Abstract

This thesis aims to explore the inter-relationships between corporate ownership and control, corporate social responsibility (CSR) and the national institutional environment in East Asia. It examines whether a firm being controlled by family, institutional investors or government affect a firm's CSR performance and CSR decoupling behaviour. This is essential given that distinctive types of firm controllers and ownership structures influence the shift from shareholder primacy to stakeholders. Moreover, CSR may vary under country-specific institutional frameworks. Differences in the degree of institutional embeddedness of firms in different economies may shape stakeholders' interests and replace the firm's incentive to invest in CSR. Based mainly on the stakeholder and institutional theories and integration with other theories, this research scrutinises whether families, institutional investors and governments and institutional-level factors such as capitalism and legal origins interrelate with CSR.

Using a sample of public companies from nine countries in East Asia and quantitative methods for empirical analysis, several significant findings support the existing theory and contribute to CSR and corporate governance literature. First, regarding relationship between controlling ownership type and CSR, findings suggest that family firms may be more interested in their own family benefits since they believe the cost of CSR exceeds the returns. If institutional investors or the government have the control power in a firm, they will act in the interests of stakeholders and thus have positive impacts on CSR.

Second, the discussion about the role of ownership and control in CSR decoupling suggests the gap between CSR disclosure and performance is influenced by corporate ultimate controller. Family-controlled firms report better CSR disclosures to maintain corporate legitimacy and increase CSR decoupling. Namely, they prioritise shareholder value, and their CSR performance is exaggerated in their reportage. Institutional ownership and government-controlled firms show the converse result of family firms.

Third, there are moderators inside the relationship between national institutions and CSR, indicating the existence of indirect effects on CSR. It is found that in coordinated market economies, family firms' influence on CSR is weaker, with family control negatively

impacting CSR and coordinated market framework positively affecting it. Coordinated market framework moderates the negative family control-CRS link. Furthermore, civil law origin negatively affects CSR and it will worsen the negative influence of family control on CSR performance. Interestingly, in civil law regions, government control's positive effect on CSR is more pronounced.

This thesis contributes to the broad literature on CSR and corporate governance, and especially CSR in the East Asian context by providing empirical evidence. Overall, it contributes to the stakeholder theory by using corporate controller concept to identify CSR preferences of firms, and adds to the institutional theorising of CSR by demonstrating to what extent capitalism and legal origins, directly and indirectly, influence CSR. In addition, the thesis contributes to agency theory by suggesting that the agency problem of family control would decrease a firm's CSR in East Asia. Including CSR disclosure and performance, this thesis's discussions on CSR decoupling enrich legitimacy theory by highlighting the importance of perceived legitimacy and the conflict between stakeholders and shareholders.

It also provides critical insights to policy makers for regulating corporate governance and CSR. For instance, the strict regulatory framework may pressure firms to invest in CSR and share welfare responsibilities, but different corporate ultimate controllers are also dominant in CSR. Whether a firm is controlled by family, institutional investors or government could influence CSR performance and decoupling behaviour. The thesis also suggests practical implications to corporate internal and external participants. Both managers and investors should be aware of a firm being controlled by family, while it may deliver CSR with fewer positive signs.

List of presented conference papers and expected publications

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List of abbreviations

No.	Abbreviation	Full form
1	CMEs	Coordinated market economies
2	CSR	Corporate social responsibility
3	EF	Economic Freedom
4	ESG	Environmental, social and governance
5	GRI Standards	Global Reporting Initiative Standards
6	ICB	Industry Classification Benchmark
7	IV	Instrumental variables
8	ISSB	International Sustainability Standards Board
9	IFRS	International Financial Reporting Standards
10	LMEs	Liberal market economies
11	LTO	Long-term orientation
12	MTB	Market to book ratio
13	OLS	Ordinary least squares
14	PSM	Propensity score matching
15	PMS	Protecting minority investors scores
16	POPR	Protection of property rights
17	ROA	Return on assets
18	SOA	State ownership of assets
19	SLMEs	State-led economies
20	SDGs	Sustainable Development Goals
21	TCFD	Task Force on Climate-related Financial Disclosures
22	2SLS	Two-stage least squares
23	UA	Uncertainty avoidance

Chapter 1. Introduction

1.1 Introduction

Following the adoption of the United Nations Sustainable Development Goals, more companies have been encouraged to act more sustainably and in the interests of society and the environment instead of only pursuing optimal financial results (Buallay, 2019). Sustainability is now a central goal for many corporations. The sustainable development in society and the environment is reflected in the level of corporate social responsibility (CSR) disclosures (Adams, 2017; Elalfy et al., 2020). Furthermore, corporations tend to accept CSR in order to pursue sustainability (Carroll, 2021) while differently behaving with respect to their social and environmental responsibility. To find out the actual performance of these responsibilities, it is necessary to understand the pertinent factors involved.

From the corporate governance perspective, different types of shareholders may have their own balance of financial and non-financial motives that affect CSR (Dam & Scholtens, 2012). For instance, a family firm may weigh reputation more than financial gain and subsequently increase CSR (Lamb & Butler, 2018). However, this perspective of balancing motivation could not fully explain the role of the ultimate controller in CSR. Agency conflicts among different controllers and other shareholders may affect firm behaviour (Claessens & Fan, 2002; La Porta et al., 1999). Not only agency conflicts, but the conflict between shareholders and stakeholders also shapes CSR (Jamali et al., 2008).

Given the vast literature that discusses CSR and corporate governance, fewer studies scrutinise the ultimate controlling shareholder theory and data in East Asia. Some scholars focused on a single type, such as family control (Ghoul et al., 2016), while some studies only focus on a single country, such as evidence from Malaysia (Ghazali, 2007) and South Korea (Kim & Lee, 2018; Oh et al., 2011). Some research uses data from Western companies (Block & Wagner, 2014; Dam & Scholtens, 2012). Instead, this research applies multiple types of controllers and multiple countries of East Asia in this study.

In addition, few studies have examined these country-level effects while testing the relationship between ultimate control type and CSR. The law of a country and the level of shareholder protection have a bearing on family ownership's impact on firm performance (Peng & Jiang, 2010). A weak institutional investing environment reduces reputational incentives for family firms (Rees & Rodionova, 2015), and that may cause East Asian family firms to decrease their CSR performance (Ghoul et al., 2016). Jain and Jamali (2016) further compiled different-level impacts of corporate governance mechanisms on CSR outcome in a systematic review and suggested that institutional-level and firm-level corporate governance factors interactively shape CSR.

However, there has been no consistent explanation as to what extent that cross-level factors are interrelated to CSR. Some studies have covered the association between national-level institutions and CSR, using evidence from various countries across the world (Cai et al., 2016; Ioannou & Serafeim, 2012) or particular region (Chapple & Moon, 2005). Relatively, little research has addressed corporate governance's influence on CSR from institutional level in one particular region.

Thus, this thesis strives to determine whether the type of corporate ownership and control influences CSR in nine East Asian countries. Specifically, in order to fill the aforementioned gap and to investigate to what extent corporate governance affect CSR, the thesis contains three empirical papers about the relationship between ownership and CSR by adopting CSR-related theories, including agency theory, institutional theory, stakeholder theory, and legitimacy theory. This study is especially important because its focus on a less-examined region. Countries in East Asia have some commonalities but are diverse in terms of law, economics, and culture.

Based on its continuous and fast development, the concept of CSR in this thesis is approached by theories, focusing on whether and to what extent corporations evolved into both social and environmental responsibilities. To be specific, while referring to CSR, the term indicates how corporations respond to their stakeholders (such as the employees, community, environment, shareholders) in fulfilling their integrated social and environmental responsibilities (Carroll, 1991). Since corporate stakeholders are important

aspects of CSR, many scholars are interested in issues about the interrelationship between corporate governance and CSR (Chan et al., 2014; Jamali et al., 2008).

To articulate the association between ultimate control and CSR performance, the first paper examines whether being controlled by a family, institutional investors, or government affects a firm's CSR. The second empirical paper looks at the extent of the influence of ownership and control on the gap between CSR reporting and performance, and the last paper addresses the relationship between institution-level factors and CSR.

The remainder of this chapter is as follows. First, the research background (section 1.2) and a clarification of the research aim and questions (section 1.3) are outlined. The research background provides a general explanation of why CSR and ownership are important and why these two constructs in East Asia are worthy of research. Meanwhile, the research objective section discusses how the research background informed the research questions for the thesis and the three empirical studies. Next, section 1.4 provides an overview of the research design, underpinning the chosen theories, presenting the development of the hypotheses, and detailing how the regression analysis is conducted. Section 1.5 highlights the significance of studying the relationship between ownership and control and CSR, and underlines the theoretical contributions to the research. The final section overviews this chapter and the thesis structure, giving a brief outline of each chapter.

1.2 Research background

As many regulations are established to adapt to various types of changes, corporations alter their strategies to be more compatible with society. For example, corporations aiming to pursue the Sustainable Development Goals (SDGs) will integrate those goals into their CSR reporting (Elalfy et al., 2020). Following global sustainability trends, many reporting frameworks, voluntarily or otherwise, have been adopted by corporations. Founded in 2011, Sustainability Accounting Standards Board (SASB) provides industry-specific standards that focus on sustainability issues which may influence financial performance.

As the demand for sustainability information continues to grow, Global Reporting Initiative (GRI) created the Global Sustainability Standards Board (GSSB) in 2016 to

develop global standards and indicators for sustainability reporting. To enhance the global reporting system, International Sustainability Standards Board (ISSB), established by International Financial Reporting Standards (IFRS) foundation in 2022, sets two International Sustainability Disclosure Standards (S1 General and S2 Climate-related Disclosures). The ISSB and GRI also seek collaborations on a comprehensive sustainability reporting, including sustainability-related financial reporting and impact reporting. The former focuses on the sustainability-related risks and opportunities, while the latter address an organisation's most significant impacts.

Meanwhile, CSR-related regulations are prevalent in Eastern as well as Western markets. Indeed, many countries have adopted and/or revised international standards to make CSR reporting and performance obligatory, such as Singapore and Taiwan. In Chapple and Moon's early research (2005), it was found that CSR in Asia is implicit and supplements the national business system, where CSR seems to become a part of government function. Institutional arrangements can also make CSR investments more attractive. Investors, whether they be individual or institutional, often make investment decisions to encourage CSR activities (Amir & Serafeim, 2018; Dyck et al., 2019).

Similar to investors' enthusiasm for CSR, corporate owners also have interests in social and environmental responsibility. Consisting of shareholders, ownership influences the corporate strategy through voting rights and cashflow rights (La Porta et al., 1999). However, different types of ownership may have diverse intentions when it comes to implementing CSR. Such divergence may determine how CSR is reported and performed, something which has been studied widely in prior research. For instance, Rees and Rodionova (2015) examined global data and used country-level factors to clarify the relationship between ownership and CSR, but they only questioned the impact of family ownership on a firm's non-financial performance. Elsewhere, Walls et al. (2012) also questioned to what extent governance actors, including corporate owners, managers, and directors affect environmental performance. A plethora of research has discussed the relationship between ownership and CSR, but with the focus being on corporate ownership, it remains questionable whether other governance actors influence CSR. Thus, the concept of ownership may be complex, interacting with other governance actors. To be specific,

the term "ownership" in this thesis contains an important construct: the controlling shareholder, who controls the firm and would like to be involved in the management team (La Porta et al., 1999).

Regarding the feature of ownership and control, it has been found that corporations in East Asia are sometimes controlled by the same person, family, or government. Based on some previous studies' results, firms here demonstrate three distinctive features. First, families hold a critical role in the shareholding and management team (Claessens et al., 2000; Globerman et al., 2011). For instance, firms in Japan and South Korea are always controlled by the family business group or chaebol[1], representing the specific corporate ownership structure. Second, institutional ownership is less vigorous and active in Asian countries (Claessens & Fan, 2002). Third, a government has the political power to influence state ownership in a firm (Globerman et al., 2011). East Asia's institutional environment and corporate governance system are ambiguous, but the existing literature does not offer a coherent explanation. On the discussion of corporate governance and CSR, it is widely recognised that corporate ownership somewhat influences CSR; for instance, some scholars (Block & Wagner, 2014; Ghoul et al., 2016) found that family-owned firms have a positive effect on CSR. Different ownership and control may influence the preference of stakeholders and actions taken to protect the environment or the surrounding community.

Furthermore, countries and their institutional framework help to build a clear explanation of why firms adopt socially-responsible policy. In this regard, institutional theory clarifies how corporations interact with and react to social expectations under different institutional environments. Since institutional environments differ from one country to another, CSR manifests itself according to distinct patterns that also influence firms' outcomes. Reviewing prior research (Claessens & Fan, 2002), institutional factors such as the legal environment impact corporate governance quality. In Asia, a lack of investor protection may cause the problem of expropriation of shareholders (Claessens et al., 1999) and the separation of ownership and control (Claessens et al., 2000), especially in most large family-controlled firms in South Korea, Singapore, and Taiwan.

[1] Chaebol is a conglomerate feature in South Korea, which usually has strong association with the founding family and South Korean government (Chang, 1988).

While there has been considerable academic research and much attention paid by the business world regarding CSR, it is still debatable as to what extent corporate governance influence firms most to act on social and environmental issues. Notably, some prior studies have tried to identify what motivates companies to protect the environment and take responsibility for social issues (Block & Wagner, 2014; Brower & Mahajan, 2013; Campbell, 2007). As corporate ownership and CSR have been extensively discussed in the research, empirical evidence has provided an insight into the relationship between ownership and CSR, where institutional frameworks are noticeable factors moderating the effect of ownership on CSR. Meanwhile, Orlitzky et al. (2017) examined the different levels of factors driving CSR and found that country-level factors may also influence industry and company factors. Social institutions are related to a country's business system (Whitley, 1991), and the different institutional frameworks in terms of law and economics explain the positive or negative changes related to CSR (Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012; Liang & Renneboog, 2017).

As many countries face the challenge of environmental and societal change, prior researchers have extensively studied what corporations perform in relation to CSR and what factors may affect this performance. There have also been many discussions about the different drivers that motivate firms to implement CSR actively, but most have been unsatisfactory because the collective impact of the institutional environment and corporate ownership on CSR have been less frequently examined. Despite prior observations of corporate behaviour regarding institutions, ownership, and CSR, it remains unclear what these constructs influence and moderate each other, especially in the multi-level analysis in East Asian countries.

Furthermore, most of the prior research has shown the significance of the association between ownership and CSR in Western countries, such as in firms in the United States (Abeysekera & Fernando, 2018; Barnea & Rubin, 2010; Block & Wagner, 2014; H. D. Kim et al., 2019; Neubaum & Zahra, 2006; Oh et al., 2017) and Europe (Cruz et al., 2014; Dam & Scholtens, 2012, 2013; Ducassy & Montandrau, 2015). Alternatively, several studies have used global data to review the influence of ownership type on CSR (Dyck et al., 2019; Harjoto et al., 2017; Lamb & Butler, 2018; Lopatta, Jaeschke, Canitz, et al., 2017;

Rees & Rodionova, 2015; Walls et al., 2012). However, there has been less research in the East Asia region.

It is also essential to be aware of the gap between a firm's disclosure of its CSR activity and what a firm actually does. Kim and Lyon (2015) suggested that CSR decoupling happens because of an imbalance in power between different stakeholder groups, while Marquis et al. (2016) proposed that institutional factors may shape firms' engagement in selective disclosure. As more corporations are becoming involved in such "greenwashing" activities, understanding the factors behind such behaviour becomes a matter of urgency. Depending on the ownership type and national institutions involved, firms may have different tendencies toward stakeholders and legitimacy. Overall, it is unclear to what extent that corporate control affects CSR, including CSR performance and CSR decoupling, under specific institutional frameworks.

1.3 Research objectives

This thesis aims to ascertain what companies listed in East Asia stock exchange behave with regard to CSR when different control types and institutional factors are in place. From macro level to micro level, corporations could be influenced directly or indirectly. The macro-level influence on CSR is based on institutional theory whereby countries in East Asia vary in their institutional setup, so social institutions may have moderating effects on the relationship between ownership and CSR. On the other hand, the micro-level effect is formed on the basis of stakeholder theory whereby firms consider their stakeholders or shareholders as the priority, which is often determined by whether the firm is controlled by a family, institutional investors, or a government. The primacy consideration (i.e. prioritising stakeholders or shareholders) influences not only social and environmental performance, but also CSR-decoupling behaviour, exposing the misalignment between disclosure and performance. To sum up, this research mainly examines the relationship between corporate ownership and CSR, while considering country-level influence in the East Asia region.

To be specific, the first empirical paper aims to test associations of between control and CSR performance. Pertinently, it is still debatable as to the cause-and effect relationship

between ultimate control type and CSR. In addition, the classification of firms controlled by family, institutional investors, or government needs to be clarified since many firms demonstrate the feature of separation of ownership and control (Claessens et al., 2000). This separation of ownership and control may shape CSR performance, indicating that the re-examination thereof is important. The main research objective of Chapter 4 is to scrutinise the following three relationships: between family firms and CSR; between firms controlled by government and CSR; and between firms controlled by institutional investors and CSR.

The purpose of Chapter 5 is to explore the role of ownership and control in the gap between a firm's CSR reporting and its actual performance with respect to social and environmental investments. As Chapter 4 suggests that family, government, and institutional investors have diverse impacts on CSR performance, it would be worth determining whether the different types of owner intend to present an apparent good side of their firm with regard to its responsibilities but do not actually perform consistently with what their CSR reports state. Furthermore, this decoupling behaviour may be moderated by other financial factors or institutional conditions. This empirical research explains which types of ownership and control have the tendency to increase the gap, mirroring the pressures of both stakeholders and shareholders.

Following the discussion about ownership, institutions, and CSR, Chapter 6 aims to ascertain the significance of the relationship between national institutions and CSR and to determine where institutional frameworks may moderate the effect of ownership on CSR performance. It has been found that distinctive models of capitalism result in the weakening or enhancement of this association. In other words, firms' CSR performance may be affected by whether they are in a liberal market economy (LME) or a coordinated market economy (CME). According to Matten and Moon (2008), national institutions in LMEs encourage liberalism in business interactions while those in CMEs tend to apply formal regulations and coordinated approaches to social and economic activities.

In addition, the country's legal origin - common law or civil law - may influence whether controller has its impact on CSR performance. Weak or strong shareholder protection has an effect on corporate behaviour and its tendency to engage in socially-responsible

activities. In addition, some have pondered whether cultural heritage has an impact on a firm's decision-making processes. Factors such as individualism, long-term orientation (LTO), and power distance may also shape corporate strategy on CSR.

For a brief summary, the research questions are listed below:

1. Whether a specific type of ultimate control influence CSR performance?
2. What is the role of ownership and control in CSR decoupling? Does family control, institutional investors or government affect the gap between CSR reporting and performance?
3. Whether the associations between country-level factors and CSR exists?
4. Do country-level factors weaken or strengthen the relationship between ownership and CSR?

1.4 Research design

To answer the research questions, the research methodology follows a quantitative approach to test whether the associations among corporate control type, institutional factors, CSR performance and CSR decoupling exist. Overall, the research design of the thesis follows a positivist approach by deploying three empirical papers to resolve the research questions and bridge the research gap in CSR theories. First, using agency and stakeholder theories from a firm-level perspective, the relationships between different ownership types and CSR are assumed in Chapter 4. Second, from the perspective of stakeholder and shareholder conflicts, arguments about CSR-decoupling behaviour are developed and related to corporate ownership and control in Chapter 5. Third, looking at institutional diversity in the country-level analysis, three main categories of social institution and the national business system are used in the literature review and development of the hypotheses.

Two important components of the research - ownership and institutional factors - are constructed in the thesis's methodology. Based on prior research studies (Carney & Child, 2013), the thesis defines and categorises whether a firm is controlled by a family, institutional investors, or government. In addition, empirical parts follow the thesis's method which reviews current ownership and control data in publicly-traded companies.

Determining the institutional influence on CSR requires an analysis of a country's variety of capitalism, legal origin, and culture. A country's tendency toward capitalism is essential to understand how an economy is regulated (Amable, 2003) and its legal origin will impact social control and whether shareholders or stakeholders enjoy more protection (Liang & Renneboog, 2017). Legal origins are accountable for most of the differences in regulations (La Porta et al., 2008), while culture has more influence over a country's social institutions. In addition, different cultural factors interact with firm-level influence on corporate strategy and resource allocation (Cai et al., 2016; Graafland & Noorderhaven, 2020). Chapter 6, which concerns institutional factors and CSR, follows this very method to articulate the influences of varieties of capitalism, legal systems, and cultural frameworks.

This research sample consists of 1,236 unique firms from 2010 to 2019 from nine countries in East Asia. The sample data contain publicly-traded companies in the selected East Asian countries, namely Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, and Thailand. Variables data were collected from several sources, including Bloomberg and Refinitiv (formerly Datastream) databases, and manually collected from annual reports. Regarding the predicted variables, CSR performance is set as a combination of social and environmental performance, while CSR decoupling represents the gap between social and environmental disclosures and performance. Independent variables include the firm's ownership type, ultimate control and social institutions depending on the firm's listing country. Country-level variables contain two categorical variables (variety of capitalism and legal origin) and continuous variables (cultural system). Meanwhile, firm-level variables are represented by ownership and control type. To predict whether these variables directly or indirectly affect CSR, several hypotheses are proposed based on prior empirical evidence.

Therefore, a quantitative approach is applied in the thesis to test the hypotheses. Meanwhile, statistical analysis including different regression models is used to build the research and results. Precisely what affects CSR may be difficult to explain, and the relationship between corporate ownership and CSR may not be direct. As CSR is a multi-level concept (Orlitzky et al., 2017), institutional-level factors such as country, culture, and social institutions may have a moderating effect on this association. Three empirical studies

may help to address the research question about ownership and CSR, and provide statistical significance to complement the existing research.

1.5 Significance of the research

This research is valuable as it provides for a more comprehensive conversation between accounting and management scholars. Affected by institutions and corporate ownership, CSR cannot merely be explained from one academic perspective. The evaluation of CSR or ownership is usually identified as being part of the accounting or finance domain, but the institutional environment or country-level factors tend to be studied by international business and management academics. It may be inadequate to consider only one perspective; thus, it is important to consider both theories and empirical studies and identify which types (family/government/institutional) would increase or decrease CSR in a specific institutional environment. Academics should be interested in this research if they seek to understand the broad implications of institutional theory across different fields of study and are considering integrating their studies into CSR issues.

Regarding the first empirical paper, the findings indicate that different ownership patterns affect stakeholders' interest orientation as is reflected in CSR performance and decoupling behaviour, while countries and institutions tend to moderate this directional influence. The positive or negative relationship between ownership and CSR can be better explained on the basis of different institutional frameworks rather than from narrative discussions about reputation and resources. The result is expected to systematically assess the impacts of ownership and control on CSR performance, which are stakeholder-oriented outcomes. By presenting evidence from East Asian companies in the national context, it is found that family firms may be more interested in their own family interests (thereby lowering involvement in CSR) since they might believe that the cost of CSR exceeds the returns. If institutional investors or a government has controlling power in a firm, they will act in the interests of stakeholders and thus have a positive impact on CSR.

The second empirical study provides evidence about ownership and control's influence on whether firms perform as well as they claim in their CSR disclosures. It suggests that in family firms the gap is wider between CSR disclosure and performance, while firms

controlled by institutional ownership behave conversely. An additional test also shows that the specific institutional environment has an influence on a firm's CSR decoupling. Only if national institutions are classified as being in a non-coordinated market or not of civil legal origin would CSR-decoupling behaviour decrease when a government holds the majority of shareholdings and controls a firm. This study further contributes to CSR disclosure and decoupling studies, indicating that legitimacy and shareholder interests pressure firms into decoupling. In addition, it is possible that ownership and control could play an internal monitoring role.

Lastly, the third empirical study contributes to the literature by presenting an institution-level perspective on CSR and providing evidence from East Asia. Based on institutional theory, CSR is also simulated by the institutional framework of a country, which differs from legal origin, economic markets and cultural frameworks. These institutional influences may directly or indirectly encourage or discourage CSR. Furthermore, using a quantitative method of instrumental estimation and a structural equation model helps to quantify the impact of the given institutional framework on CSR. Focusing on what types of capitalism and legal origin may increase CSR and weaken/strengthen the effect of ownership on CSR, the findings contribute to broadening the understanding of institutional influence on CSR.

From a practical perspective, this research benefits both corporations and governments. First, the findings provide another view of CSR in East Asia. Managers may consider taking more or fewer actions on CSR when it becomes known that family firms or firms controlled by institutional investors or government have different tendencies regarding their responsibilities to society and the environment. For instance, family firms are negatively associated with CSR, and managers in family firms have less power over CSR strategy. Furthermore, investors may perceive a specific ownership type as a key criterion for CSR in different countries. In addition, understanding the impact of country-level factors on CSR may help governments to better supervise corporations by identifying the ultimate controller of a firm, which may in turn prompt policymakers to pressure more companies into taking greater social responsibility for their stakeholders.

1.6 Summary and thesis structure

To sum up, understanding the role of ownership and control in relation to CSR using empirical data analysis is essential as social responsibility gradually becomes a prominent part of firms' makeup. Different ownership types may affect firms' decisions on CSR-related activities, including CSR disclosures and CSR performance. The empirical research in this thesis has scrutinised influential factors at individual and institutional level, to illustrate CSR in East Asia better.

Based on the findings, the assumption of an association between ownership type and CSR has been confirmed, indicating a negative relationship between family firms and CSR, and positive relationships between the other types (institutional ownership and government) and CSR. To be specific, family firms tend to be more concerned about their benefits and shareholders' interests, resulting in decreased CSR performance and increasing their CSR-decoupling behaviour. Institutional investors act in line with their stakeholders under substantial pressure in terms of regulations and reputation; hence, they increase a firm's CSR performance and decrease the gap between CSR reporting and actual ratings (i.e. performance). Firms controlled by the government also have the same tendency with regard to CSR as institutional investors. The role of a government controller is to protect the firm's reputation from social irresponsibility and stabilise society through actions benefitting corporate stakeholders. In the thesis, it is also noticeable that different varieties of capitalism, legal origin, and cultural frameworks affect CSR directly and indirectly. Reasons for this include the institutional framework shaping weaker or stronger protections for shareholders, or these institutions affecting corporate decision-making. Thus, it is important to analyse ownership and CSR using institutional theory.

The rest of the thesis is constructed as follows: Chapter 2 introduces the literature review and theoretical framework of the thesis, summarising prior literature about the institution– and firm-level influences on CSR; and Chapter 3 then refers to the methodology for this thesis, containing the research approach and variables measurements. Following the methodology chapter, three empirical papers are presented as follows: Chapter 4 covers the influence of firm-level factor of different corporate ownership types on CSR performance;

in contrast, Chapter 5 is reflected the role of ownership and control in the gap between CSR reporting and performance; and after discussing ownership and CSR, Chapter 6 aims to more deeply understand whether the institution-level influence on CSR is direct or indirect. Lastly, Chapter 7 concludes the findings and overall contribution of the thesis, and discusses challenges and opportunities for future research.

Chapter 2. Literature review and theoretical framework

2.1 Introduction

Motivations for corporations to either disclose or perform CSR are diverse. From the stakeholder's side, corporate relations with stakeholders are critical and distinct types of ownership have the power to shape the stakeholder primacy of CSR. From the institutional side, the models of capitalism also manipulate the priorities of shareholders or stakeholder value (Kang & Moon, 2012) and then shape CSR. In addition, different countries and their corresponding institutional frameworks may also influence the decision making and resource control that consequently affect stakeholders' interests (Aguilera & Jackson, 2003; Matten & Moon, 2008). This chapter provides some reasons explaining why corporations act responsibly with respect to society and the environment, to what extent corporate governance has a material impact on either sustainability or societal issues and how the controller of a company uses its power to affect CSR-related decisions.

Section 2.2 conceptualises CSR as well as two other CSR-related terms used in this thesis and explains motivations for corporations to disclose and perform. From existing theories, CSR drivers are at different levels, including firm-level and country-level. Accordingly, section 2.3 advances the firm-level influence on CSR and mainly scrutinises corporate ownership and control in corporate governance literature. Section 2.4 explores whether institutional influence, such as capitalism, legal origins and cultural systems, drive different patterns of CSR. Then, section 2.5 builds the theoretical framework underpinning the influence of corporate ownership and control on CSR and broadly covers to what extent the institutional framework connects to corporate governance and CSR, including the specific point of how corporations respond to stakeholders' demands. Finally, in section 2.6 provides an overview and conclusion of the literature review.

2.2 Corporate social responsibility

Corporate social responsibility is considered as the responsible business entities have on the economy, society and the environment. CSR encompasses matters such as why businesses perform and disclose CSR; who the business is responsible for it; and how they manifest their responsibility and what impact and outcome businesses deliver in the society. These aspects are addressed in turn. In this regard, the notion and trend of CSR holds prominence.

2.2.1 Motivations for performing CSR

What motivates business to perform CSR may be diverse, but firstly, it is important to know what CSR is. The concept and definition of CSR and CSR performance have been discussed for several decades. There are three elements consisting of corporate social performance. First, from an early stage of research, corporate social responsiveness was considered an important element of corporate social performance (Carroll, 1979, 1991; Clarkson, 1995; Wartick & Cochran, 1985; Wood, 1991). Then, corporate social performance was developed in a comprehensive model by Carroll (1979), which added another two dimensions: corporate social responsibility, and social issues. A further definition of corporate social responsiveness was given by Frederick (1994), who described it as "the capacity of a corporation to respond to social pressures" (p. 154). In contrast, CSR is usually categorised as economic, legal and ethical responsibilities (Carroll, 1979). Predominantly, CSR "reflects an underlying interaction among the principles of social responsibility, the process of social responsiveness, and the policies developed to address social issues" (Wartick & Cochran, 1985).

However, Wood (1991) held that only using policies to represent social performance may be risky and lead to misrepresentation. She suggested that the examination of CSR should contain observable outcomes including social impacts, programmes and policies. The same author constructed a model, building a structure composed of principles of social responsibility, processes of social responsiveness, and outcomes of social performance, based on developments in the literature on corporate social responsiveness and CSR. It has

steadily become noticeable how best to measure the outcomes of CSR. Since the outcome of CSR becomes noticeable in both academy and industry, Wood (2010) further suggested that CSR is subject to different levels of analysis, namely individual, organisational and institutional. The outcomes are becoming critical while modelling CSR measurement, showing the change from what motivates CSR to what extent firms perform on CSR.

To explain what firms perform on CSR, the use of the term 'CSR performance' in the thesis stems from an understanding of the several CSR studies. Firstly, Wood (2010) suggested that there are observable outcomes when examining CSR, including social impacts, programmes and policies, and it is worth ascertaining which factors influence these outcomes. Secondly, scholars have found that CSR can be categorised and broken down into levels, while some portions of CSR are measurable and observable (Carroll, 1979, 1991; Clarkson, 1995; Wartick & Cochran, 1985; Wood, 1991).

Third, the interaction between firms and stakeholders is understood to have an impact on the processes and outcomes of CSR (Bottenberg et al., 2017; Ullmann, 1985). In other words, CSR may be considered a form of stakeholders' performance (Clarkson, 1995; Orlitzky et al., 2017). Specifically, firms may take actions depending on distinct stakeholders' resources as a part of their responsive process. The outcomes of these actions can be measured with the stakeholders' perspectives in mind. Following previous studies, applying CSR performance may better determine the outcome of a firm in society and the environment, and allow for a focus on how corporations respond to relevant demands and take actions accordingly in these contexts.

The meaning of CSR has been extended to become an even broader and more comprehensive model, covering both business and society. Wood (2010) has further claimed that it is essential to investigate the relationship between stakeholders and society, rather than only focusing on the firms themselves. The CSR model also addresses the importance of stakeholders (Ullmann, 1985; Wood, 2010). Pertinently, Akremi et al. (2018) defined CSR from the stakeholders' views, using "corporate stakeholder responsibilities" to develop a CSR-related scale, and operationalise CSR with a focus on employees' perceptions. Similarly, Turker (2009) defined CSR as corporate behaviours that affect social and non-social stakeholders, taking into account economic interests.

Fatma et al. (2014) also used the stakeholders' point of view to illustrate CSR in a specific industry. The definitions applied in these works all underline the importance for firms to maintain their relationships with stakeholder groups.

Starting with the concept of internal and external stakeholders given by Freeman (1984), many relevant studies have investigated CSR under stakeholder theory. In developing a conceptual level of CSR under stakeholder theory, the scope of what constitutes a stakeholder should first be identified. The term 'stakeholder' has been appropriately explained as people who own a stake in the given firm and are interested in its decisions and related performance (Carroll, 1991). Donaldson and Preston (1995) also suggested that stakeholders' legitimate interests determine their position in the corporation. Usually, they are customers, employees or shareholders of the firm.

Stakeholders are normally identified as people engaged in the business's activities, including shareholders and other special interest groups. The public, pressure groups and regulators can also be classified as stakeholders (Fassin, 2009), which means many firm-performance-related groups are involved in stakeholder management. This stakeholder model applies a much broader view than previous versions. Together, these studies have indicated that building the stakeholder framework may help to explain CSR and strike a balance between the different interests of stakeholders.

Accordingly, it is important to identify stakeholders and their different interests. For instance, consumers may be interested in a product's safety performance and corporate unions focus on employee diversity and safety issues. Meanwhile, stakeholders have different resources and power at their disposal to put pressure on the firm (Crilly, 2011). Thus, managing stakeholders is a reciprocal action for both firms and society alike.

Some researchers have suggested that stakeholder management demands some form of neutrality as outlined in conventional agency theory (Aguilera & Jackson, 2003; Cheng et al., 2014; Jamali et al., 2008). As the agency theory of principals and agents has converged with stakeholder theory given the widening range of stakeholders involved, managers now consider stakeholders' interests much more than agency costs (Jamali et al., 2008) and are aligned with stakeholders in their effective pursuit of organisational goals. Furthermore, a

firm's stakeholder management is committed to reducing agency costs and information asymmetries (Cheng et al., 2014).

Corporations also believe that prudent stakeholder engagement can increase their financial performance. In turn, better performance in terms of stakeholder management may also loosen or ease capital constraints. When the agency costs are high, capital providers try to increase the interest rate to make up for the information shortfall (Cheng et al., 2014). Thus, reducing agency costs by harmonising the relationship between stakeholders might be helpful. Managers tend to consider different stakeholders and implement socially-responsible policy, helping them to reduce agency costs incurred from principals (shareholders) and agents (managers), and to increase the transparency of corporate information.

From conflicting perspectives, Raelin and Bondy (2013) acknowledge that not only would shareholders and managers have a conflict with regard to the agency problem, but shareholders, as agents of society, may also drive a conflict between maximising firm value and societal interests. Addressing the agency problem affecting shareholders and society should entail focusing on reducing the negative impact on society, which requires taking both shareholder and societal interests into account.

Besides, stakeholders' interests are correlated with different dimensions of CSR, depending on the specific interest groups. This relationship brings stakeholder management into another problem: balancing the interests of these groups. Some researchers state that balancing interests of different stakeholders can lead to many conflicts (Aguilera & Jackson, 2003; Orts & Strudler, 2009). As the definition of a stakeholder is broad, the goal of stakeholder theory, and balancing the interests of stakeholders, may also be questioned (Orts & Strudler, 2009).

Balancing the interests of all stakeholders seems impossible because there will inevitably be conflicts between them. These conflicts exist because the resources will be finite and only certain amounts can be allocated to each stakeholder. Indeed, the slack resource theory provides that higher profits may lead to an increase in investment in CSR. Amid stakeholder interactions, there are often different conflicts. In particular, capital and management interests conflict with labour interests, the interests of insiders (labour and

management) and outsiders (capital) often clash, and, third, there are often accountability conflicts between capital and labour interests, and those of management (Aguilera & Jackson, 2003). For example, managers would benefit from their firms having higher CSR ratings, but making an investment in CSR may reduce firm value, and subsequently shareholder value (Barnea & Rubin, 2010). Therefore, it is obvious that the firm's socially-responsible policy would entail conflicts between different stakeholders.

However, it would be inadequate to explain CSR only under the stakeholder theory. First, the weighing of each stakeholder's interests is unclear (Orts & Strudler, 2009). Although firms sensitive to stakeholder demand can make CSR-related decisions (Brower & Mahajan, 2013), they may need to work out the weight of stakeholders' interests to better balance them. Second, stakeholder management could not of itself explain the motivation behind CSR, even if stakeholder management would have a positive impact on CSR and further financial performance (Bottenberg et al., 2017).

Thus, the connection between CSR and reputation may better explain the rationale behind stakeholder management. In addition, strong CSR and stakeholder responsiveness may enhance the intangible asset of reputation (Bear et al., 2010). If adopting more CSR activities demonstrates that the firm is focusing on long-term profit and stakeholders' interests, then CSR would indeed increase the firm value (Dimson et al., 2015; H. D. Kim et al., 2019). Elsewhere, some scholars believe that firms take socially-responsible actions to satisfy the demands of their stakeholders (Carroll, 1991; Clarkson, 1995; Wood, 1991), while some studies have demonstrated that institutional conditions critically shape corporate behaviour becoming responsible towards society (Campbell, 2007; Jamali et al., 2008; Matten & Moon, 2008). Ultimately, any CSR argument will be inconsistent if only one perspective is considered.

Overall, fewer studies have focused on the interdependence between stakeholders, owners and institutional factors. In particular, firms need to take action on CSR to respond to the demands of multiple stakeholders, as explained in stakeholder theory. More specifically, these stakeholders control resources and firms are thus actively responsive to stakeholders' needs, meaning that CSR investment would increase if stakeholders demanded it. Owners, or controllers, also play a critical role when resources are slack and need to be reallocated.

However, the relationship between these different roles and institutions still needs to be further developed, and it is also important to understand the motivation behind CSR actions. To explain stakeholder theory in more depth, section 2.3 illustrates the role of ownership and control, and section 2.4 integrates institutional theory.

2.2.2 Motivations for CSR disclosure

To discuss what motivates and demotivates business to act CSR, prior research has implied that social and environmental disclosures might be motivated by an organisation's desire to be deemed legitimate (Deegan, 2002; Gray et al., 1995; O'Donovan, 2002). According to stakeholder theory, corporations are motivated to disclose their CSR performance in line with stakeholders' expectations. In addition to stakeholder management, corporations disclose their CSR-related information because of the legitimacy. Legitimacy can be determined by societal perceptions and public pressures. Based on the political economy perspective, legitimacy is fundamentally built on the social contract. In particular, if an organisation seems to break its social contract, society will question its operation and survival (Deegan, 2002). Moreover, corporations require legitimacy to exist in society, while disclosures could indicate the managerial influence on how others perceive the given corporation (Deegan, 2002).

Specifically, firms consider CSR disclosures as a beneficial tool through which to maintain their legitimacy in society as disclosing CSR activities enhances the legitimacy of firms. Some firms have more extensive disclosures, thus gaining legitimacy in order to communicate better with society and further influence societal perceptions (Cho & Patten, 2007). In particular, such disclosures help the firm to become responsible to the social environment and to increase the legitimacy of its business. Furthermore, legitimacy theory could complement stakeholder theory when it comes to disclosing the outcomes of CSR (Gray et al., 1995). That is, corporations rely on such social and environmental disclosures to communicate with stakeholders. Similarly, environmental disclosures are influential when it comes to stakeholders' perceptions of legitimacy (Cormier & Magnan, 2015).

The legitimacy perspective also provides for a connection between CSR disclosures and CSR performance. Cho and Patten (2007) suggested that poorer environmental

performance may reduce a firm's legitimacy; hence, it is essential for such firms to disclose positive material on the environment. If corporations report their CSR as part of their actual performance, they could attain greater legitimacy (García-Sánchez et al., 2021). Achieving greater legitimacy could result in attracting or keeping more resources (Meyer & Rowan, 1977; Walker & Wan, 2012), which may contribute to either better financial performance or better CSR performance. In other words, a firm's CSR reporting helps it to attain legitimacy and maintain resource control. Ultimately, this means a firm's legitimacy may affect its CSR performance.

However, legitimacy theory ignores the accountability of managers. Since managers have a duty to disclose CSR information, explaining that CSR disclosures were motivated by legitimacy may be seen as contradictory. Focusing on gaining corporate legitimacy from CSR disclosure, legitimacy theory neglects the issue that managers are also accountable for such disclosures. In addition, some decoupling behaviour emerges even if firms need to attain legitimacy from society. Corporations intend to conceal or render ambiguous negative disclosures since they desire better CSR performance ratings (Fabrizio & Kim, 2019).

Beyond the legitimacy view in relation to CSR, a further noticeable gap emerges as legitimacy may also be considered a means of conforming with institutional pressures. Since legitimacy theory is essentially a part of socio-political theory (Cho et al., 2012), institutions intend to build legitimacy simply to exist. Meyer and Rowan (1977) proposed that corporations gain legitimacy in a specific institutional environment and mandatory law. Furthermore, Luo et al. (2017) proposed that firms need to adopt regulations to ensure their legitimacy, while institutional environments are often competitive. Furthermore, institutional pressures could directly involve gaining legitimacy and thus further influence a firm's CSR disclosure.

Underpinning CSR disclosure, legitimacy theory might serve as a means of survival for firms, but it would be insufficient to address the distinctiveness of each specific firm and institutional environment. Moreover, CSR decoupling reflects one of the possible consequences of focusing on legitimacy. In order to explain the ambiguity of the above

concerns, the following sections illustrate the role of ownership and control, and institutional theory, while later Chapter 5 contains empirical results of CSR decoupling.

2.3 Agency problem in corporate governance and CSR

The definition of ownership refers to owning property, so identifying corporate ownership involves someone or some groups holding shares in the given corporation. In this thesis, corporate ownership types are classified but not limited to individual, family, institutional investors and governments. Crucially, a firm may include all types of ownership or only one type. However, the separation of ownership and control indicates that the largest ownership type may not control the company (La Porta et al., 1999). From an empirical exploration of prior studies, it is evidenced that ultimate corporate control is separate from ownership (Claessens et al., 2000; La Porta et al., 1999). Furthermore, this separation is especially strong in family firms and in some East Asian countries (Claessens et al., 2000). This phenomenon also reflects that immediate ownership cannot amount to ultimate corporate control (Claessens et al., 2000). Thus, a further investigation of corporate control is required.

The description of corporate control type in the thesis is taken from the controlling shareholder concept developed by La Porta et al. (1999) and examined by Claessens et al. (2000). In these prior studies, they also found that controlling shareholders have the ultimate control, with the largest amount of voting rights in a firm. The term "corporate control" in this thesis is therefore defined to be in the hands of whoever is the controlling shareholder with the most voting rights. Meanwhile, corporate control types are classified in the same way as ownership types, including family, institutional investors and governments, with the difference being that these types represent controlling shareholders in a corporate control context.

Regarding the consequences of the separation of ownership and control, agency theory dominantly constructs related arguments. Inside countries with relatively limited legal protection for minority shareholders, there are more agency conflicts and costs among controlling and minority shareholders (Claessens & Fan, 2002; La Porta et al., 1999). Namely, the firm's controlling shareholder expropriates the minority shareholders' stakes,

indicating an agency problem regarding conflicts between corporate control and minority shareholders instead of the traditional manager-shareholder conflicts.

Agency theory also provides for other discussions on the impact of ultimate control. Firstly, information asymmetry is assumed to be a prominent factor in agency costs, which could happen in any corporative entity or individual (Jensen & Meckling, 1976). Claessens and Fan (2002) further implied that weak transparency of corporate information triggers agency problems. Therefore, where shareholder information is ambiguous, there are more possibilities to increase the conflict between controlling and minority shareholders. Fan and Wong (2002) also found that agency conflicts with respect to revealing accounting information exist between firm controllers and outside investors. To be specific, corporate control may influence how others evaluate the firm, with regard to firm disclosures and performance.

Much empirical evidence has displayed an argument of ownership and control positioned in a firm's financial and non-financial performance. For example, Zahra et al. (1993) verified that ownership by insiders, usually the corporate control and management team, may boost financial performance. In addition, improved financial performance would increase CSR performance (Adegbite et al., 2019; Zahra et al., 1993). Since insider ownership is assumed to be an incentive mechanism for managers, Oh et al. (2017) identified that insider ownership demonstrated a U-shaped relationship with CSR. Non-excessive incentives can encourage corporate controllers and managers to pursue balanced financial and CSR performance. Conversely, if insider ownership represents corporate control and has expropriation effects for minority shareholders, agency conflicts may be noticeable in relation to CSR and firm value. A higher level of insider ownership would decrease CSR engagement because managers would not support costly activities in that regard to ensure that profits were maximised (Withisuphakorn & Jiraporn, 2019).

Obviously, agency theory posits that conflicts between controlling shareholders and minority shareholders are decisive not only for financial activities but also CSR. Prior research has indicated that corporations with different ownership structures have different standards for CSR (Dam & Scholtens, 2012; Zahra et al., 1993) and thus have varying degrees of influence over CSR performance. Ducassy and Montandrau (2015) observed

that the largest shareholding would decrease the CSR but there would be no significant relationship between ownership type and CSR. Besides, it has been found that ownership concentration would have a negative correlation with CSR (Dam & Scholtens, 2013), while ownership dispersion of non-state-owned firms has been positively associated with CSR performance (W. Li & Zhang, 2010). Meanwhile, the common feature of concentrated ownership has also been demonstrated to lead to a lower CSR rating (Rees & Rodionova, 2015). Likewise, shareholders with a higher shareholding would not be inclined to take CSR actions due to concerns that the benefit would not exceed the costs. Ultimately, if shareholders can help to improve the CSR policy even at their own expense, then more stakeholders can benefit.

Furthermore, the argument of agency conflicts applies to other corporate governance influences on CSR. Employee, individual, and firm ownership are all associated with poor corporate social policies (Dam & Scholtens, 2012). Employee ownership can lower ethical and environmental performance, while corporate ownership is negatively related to three CSR dimensions: environment, ethics, and stakeholders. Other governance factors related to the board, CEO and committees also have an impact on CSR performance. For instance, board independence, CEO duality and CSR committee are all significantly relevant to environmental performance (Hussain et al., 2018). Furthermore, if there is a blockholder in the corporation, ownership dispersion would negatively influence the relationship between the blockholder and CSR performance, showing that the presence of blockholders may decrease a firm's CSR performance (Lopatta, Jaeschke, Canitz, et al., 2017).

Applying agency theory to explain ultimate control and CSR may demonstrate some agency conflicts between different types of shareholder, but may not sufficiently delineate the connection between corporate control and corporate social and environmental responsibility. First, different types of ultimate control may be characterised by distinctive CSR tendencies. Moreover, their CSR motivations are not only attributed to agency costs but also to stakeholder engagements based on the particular type of ultimate control. The main weakness with agency theory is its concentration on only two relationships: either principal-agent or controller-minority. Second, different levels of legal protection may also feature either enhanced or weak agency conflicts. The institutional environment is also

influential when discussing controlling shareholders and minority shareholders. It would thus be inadequate to rely on one theory when assessing the relationship between ownership, control and CSR.

To sum up, agency theory undeniably constructs many arguments about corporate ownership and control. However, it does not fully explain the dissimilarities within each type of ultimate corporate control. It also ignores whether institutional conditions affect corporate governance and CSR, and the extent of this influence. Thus, the following section (2.4) will introduce institutional theory on CSR and section 2.5 will then describe the research framework of this thesis.

2.4 The link between institutions, CSR and corporate governance

Prior studies on stakeholder theory have proposed a connection between stakeholders and firms, but have yet to address institutional framework behind firms' responsible behaviour. Aguilera and Jackson (2003) stated that institutional theory may better explain the stakeholder perspective in CSR after considering the salience of stakeholders. Indeed, different institutional domains may shape corporate behaviour and stakeholder interests, indicating that different countries and economies may influence decision making and resource control to shape stakeholders' interests (Aguilera & Jackson, 2003; Matten & Moon, 2008). To be specific, external stakeholders may control resources and thus put pressure on the corporation. Meanwhile, Crilly (2011) also acknowledged that the influence of the external environment, such as resources and institutional pressures, helps to explain stakeholder orientation.

Furthermore, the shortcomings of agency theory could also be complemented by institutional theory. On the basis of the latter, firms are socially constructed and institutional mechanisms shape the decisions made by the firm and their main interests (Aguilera & Jackson, 2003). When these mechanisms tend to protect specific stakeholders inside organisations vigorously, agency conflicts between ultimate controllers and minority shareholders may be reduced. Thus, the firm's agency problem is less obvious. For example, Orlitzky et al. (2017) demonstrated that national-level differences significantly impact the firm's performance on corporate governance rather than on society and the

environment. Since stakeholder theory and agency theory fall short of fully explaining why and what different types of ownership and control influence CSR, institutional theory may help to fill the gaps or shed more light on this relationship.

Many national institutions have been demonstrated to critically shape corporate behaviour in relation to CSR (Campbell, 2007; Jamali et al., 2008; Matten & Moon, 2008). Prior studies have suggested that the national business system is the most widely discussed institution that may affect CSR (Ioannou & Serafeim, 2012; Matton & Moon, 2008; Orlitzky et al., 2017). Whitley (1999) used national business systems to explain the different economic coordination and defined them as "distinctive patterns of economic organisation that vary in their degree and mode of authoritative coordination of economic activities, and in the organisation of, and interconnections between, owners, managers, experts, and other employees" (p. 33). The concept of a national business system describes not only economic coordinated activities but also how different institutional sectors interact within the country. According to Scott (2008), regulative, normative and cultural-cognitive systems are institutions in their own right. In particular, the regulative institution is subject to laws and sanctions that constrain or empower corporate behaviour, while the normative pillar emphasises social obligations to internally form corporate behaviour. Meanwhile, the cultural-cognitive system focuses on embedded cultural beliefs and repetitive patterns of behaviour.

Institutional frameworks, national business systems and the three pillars of institutions all influentially positioned institutional theory in social and business research. Many empirical results have shown that the firm's CSR is significantly related to institutional factors such as legal protection (Ghoul et al., 2016; Ioannou & Serafeim, 2012; Liang & Renneboog, 2017), economic freedom (Graafland & Noorderhaven, 2020) and individualistic societies (Ioannou & Serafeim, 2012). Ioannou and Serafeim (2012) further found that different institutions, including political, education, labour and cultural systems, significantly influence a firm's corporate social performance.

Indeed, the national institution may affect the firm's incentive to invest in CSR, and there are also some other risks arising from institutional pressures on CSR. First, institutional pressures usually come in the form of regulatory sanctions, which may threaten firms and

result in capital disinvestment (Campbell, 2007). Moreover, environmental protection regulation may indirectly cause less investment in more considerable assets or research and developments, and the overall economic conditions will also be negatively affected. In this vein, Campbell (2007) claimed that economic conditions would override CSR and that institutional factors mediated this correlation. It is also important to consider the impact of globalisation on institutional configurations. Globalisation may have pressurised countries into adopting neoliberal policy and deregulation, often weakening their power to mitigate irresponsible behaviour (Campbell, 2007). Although the above arguments point to some weaknesses about institutional pressures on CSR, institutional theory still provides an opportunity to bridge corporate governance and CSR.

The institutional influence accordingly motivates or demotivates corporations to behave in a socially responsible manner, while national differences and institutional contexts are deeply interrelated with the corporate governance system, according to which resources are allocated to stakeholders' interests and CSR. Regarding these institutional influences, the national business system and the three pillars of institutions are widely developed frameworks used to analyse the relationship between institutions and organisations. Hence, the thesis concludes that there are three integrative perspectives when it comes to institutional influence, reflecting the national business system, as well as regulative and cultural institutions. The following section (2.4.1, 2.4.2 and 2.4.3) presents capitalist, legal and cultural perspectives of institutions, respectively.

2.4.1 Institutional influence from a capitalism perspective

Describing in detail the elements of such institutions, the national business system literature has encompassed political systems, financial systems, education and labour systems, and cultural systems (Whitley, 1999). Those systems are similar to some extent when it comes to capitalist features (Hall & Soskice, 2001; Matten & Moon, 2008). Thus, in reviewing the national business system, this section introduces the capitalist perspective.

The classification system pertaining to capitalism contributes to comparative studies across different sectors. Indeed, there have been debates over the varieties of capitalism, especially in the dichotomous approach to categorising liberal market economies (LMEs)

and coordinated market economies (CMEs). LMEs and CMEs are two common types of capitalism found in many countries (Hall & Soskice, 2001). The difference between them hinges on the institutional arrangements which govern finance and labour. In LMEs, employees are less organised and without unions, while in CMEs there tends to be more employee protection and collaboration (Hall & Soskice, 2001). Institutional differences, such as liberalism in LMEs and regulation dependence in CMEs, determine whether CSR is an explicit or implicit element of corporations in the given type of economy (Matten & Moon, 2008).

Many relevant studies have shown that the dichotomous classification has been criticised because some countries stand somewhere between a liberal and coordinated market. For example, Kang and Moon (2012) suggested another type of capitalism between LMEs and CMEs: state-led market economies (SLMEs). Moreover, Amable (2003) demonstrated that it is not sufficient to describe models of capitalism only according to this dichotomy which could not fully accommodate all the varieties of capitalism. Meanwhile, such classification has highlighted noticeable differences between capitalism in Eastern and Western countries. According to Amable (2003), it may be much more appropriate to use five institutional elements when distinguishing between the varieties of capitalism in a comparative analysis. These five institutional elements are: product-market competition; the wage-labour nexus; the financial sector; social protection; and the education sector. These distinctive characteristics further help to classify varieties of capitalism including Southern European capitalism and Asian capitalism, adding them to the previously dichotomous system (Amable, 2003).

However, discussions on the varieties of capitalism or business systems neglect the matter of institutional diversity in developing economies. Hall and Soskice (2001) and Amable (2003) concentrated on OECD countries, while Zhang and Whitley (2013) compared four countries in East Asia, namely Japan, Malaysia, Taiwan and Thailand, to expand the comparative capitalism literature, analysing the roles of governments and markets. From the perspective of capitalist institutions, it is important to consider the state-driven direction of the economy and the coordination of economic actions. Specifically, they analysed the direct or indirect involvement of the state, any specific protections or promotions put in

place for industries, and the interactions between public and private sectors. Their approach incited debate about the integration of state and market actors.

The arguments mentioned above about institutional frameworks show that no specific system is perfect for an institutional analysis of capitalism. The dichotomous approach may lead to a narrative classification, while other approaches allow for a wider and more complex analysis for each case. Since weaknesses exist in most approaches to capturing capitalism, it is inevitable that some dimensions would be integrated to attempt to explain the institutional influence of capitalism on CSR. First, the classifications of CMEs and LMEs are included as proxies for the institutional factor in this thesis. Based on prior research, it has been demonstrated that although LMEs and CMEs could not accurately represent some Asian economies (Amable, 2003), such capitalist institutions still affect CSR as they contain environmental, social and governance dimensions (Kang & Moon, 2012; Rees & Rodionova, 2015). Second, government intervention is another proxy for capitalist institutions. Gond et al. (2011) proposed some possible relationships between governments and CSR, demonstrating state involvement according to different patterns. State intervention may often not occur directly through regulation. Pertinently, economic freedom and government ownership of assets also help to explain government interventions. These two proxies for institutional influence will be further introduced and measured in Chapter 3.

2.4.2 Institutional influence from a legal perspective

The regulatory institutional pillar refers to legal origins when discussing corporate ownership, control and CSR. In Scott's study (2008), the regulatory pillar is credited with having established laws with manipulative sanctions that may affect corporate behaviour, either in a constrained or empowering way. Consistent with the arguments of La Porta et al. (2008), legal origins are helpful when explaining institutional influence, as the design of a legal system depends on the level of protection, constraints and state control (Glaeser & Shleifer, 2002). In other words, civil law and common law origins may distinctively affect corporate behaviour.

Although the original difference between civil law and common law lies in judgments, principles and written or oral records (Glaeser & Shleifer, 2002), their respective influence is also reflected in economic and social outcomes. Originating from Roman law, civil law systems usually have codified laws and written records. On one hand, civil law countries usually have weaker investor protections; thus, their private market outcomes tend to align with state-desired allocations (La Porta et al., 2008). On the other hand, common law countries usually rely on oral arguments and independent judges. While the civil law approach entails greater involvement from government and fewer protections with regard to property rights, common law countries tend to exhibit lighter government intervention and tighter property rights protections (Glaeser & Shleifer, 2002; La Porta et al., 2008).

Arguments regarding legal origins have focused on government regulation and investor protection, and their economic effects. These two elements are also critical in the discussion regarding the institutional influence of law on corporate governance and CSR. Since the legal origin here is relevant to the concept of shareholder protection (La Porta et al., 2002), legal institutions may shape the influence of stakeholders or shareholders on CSR. Prior studies (Claessens et al., 2000; Jensen & Meckling, 1976; La Porta et al., 1999) have also demonstrated that poor shareholder protection widens the divide between corporate ownership and control. Furthermore, countries with a higher level of investor protection are much more shareholder-oriented compared to those with less protective laws for outside investors (Kim et al., 2017). In other words, corporations in common law countries tend to prioritise shareholders rather than stakeholders. Particularly protective laws may lead firms to consider shareholder primacy and constrain corporate behaviour with regard to CSR (Ioannou & Serafeim, 2012). Kim et al. (2017) also verified that corporations make fewer environmentally-friendly investments in common law countries.

However, it may be an exaggeration to conclude that one legal origin offers better investor protection than another. Some English-speaking common law countries may offer more robust shareholder rights but have less stringent protection for creditors (Licht et al., 2005). The claim of a dichotomy between legal origins about investor protection may neglect the many diversities among common law countries. Nevertheless, the discussion about legal

origins has shown that the protection of minority shareholders and property rights may be valuable in explaining legal institutions.

In summary, laws being more protective of shareholders indicate a shareholder-centred tendency and thus are influential with regard to corporate behaviour. Proxies for this legal institution could be common law or civil law systems, or the extent of protection for investors and property rights, which are introduced in Chapter 3.

2.4.3 Institutional influence from a cultural perspective

Institutions may also informally restrict corporate behaviour through social rules instead of an actual legal system (Crossland & Hambrick, 2011; Helmke & Levitsky, 2006; Zhou et al., 2017). This informal institution reflects shared values that are attributed to formal institutions, such as legal rules (Helmke & Levitsky, 2006). Similar to Scott's arguments about cultural-cognitive institutions (2008), common beliefs and shared rationalities highlight the linkage between institutions and behaviour. Licht et al. (2005) also claimed that legal institutions are associated with cultural institutions and consequently influence economic outcomes. In addition, it is widely believed that cultural institutions are influential for organisations, both internally and externally.

Cultural institutions may also affect individuals and organisations internally or externally. Specifically, cultural-cognitive institutions reflect "embedded cultural forms" (Scott, 2008, p.58). In other words, this cognitive dimension concerns internal interpretations through which the external cultural framework can exert influence (Scott, 2008). Different cultural patterns affect how an individual thinks, believes and acts (Hofstede, 1991), which an external system according to which individuals perceive things (Scott, 2008). Meanwhile, external cultural frameworks refer to national cultural differences including individualism-collectivism, long-term or short-term orientation, power distance, uncertainty avoidance, and masculinity-femininity based on Hofstede's classification (1991). These dimensions are grounded in national cultures and also reflect "symbolic systems" as raised by Scott (2008, p.57). Therefore, cultural institutions are formulated by different national cultures that are internally perceived and externally shape individual and organisational behaviour.

To be specific, national differences in terms of the cultural framework lead to distinctive corporate behaviours. It has been recognised that several dimensions of culture may have an influence on CSR. In particular, cultural values may constrain or enable the taking of social and environmental responsibilities in a corporation. For instance, prior studies have found that a culture of long-term orientation has a positive impact on CSR (Choi et al., 2022; Durach & Wiengarten, 2017; Graafland & Noorderhaven, 2020). Such orientation in the national culture may empower firms to act in line with the sustainable goal of long-term benefits for both nature and society (Miska et al., 2018). This element provides evidence of the institutional influence of culture, while other cultural dimensions, such as power distance, also affect CSR practices (Ho et al., 2012; Miska et al., 2018; Ringov & Zollo, 2007).

However, it has also been found that cultural institutions may have inconsistent consequences with respect to CSR. For instance, while Ringov and Zollo (2007) stated that power distance has negative impacts on CSR performance, Ho et al. (2011) and Miska et al. (2018) reported that greater power distance is positively related to CSR performance. Although institutional theory explains how cultural institutions are perceived in organisations, it fails to determine the extent to which cultural institutions shape corporate behaviour.

Thus, this thesis will apply other CSR-related theories to establish a research framework covering institutional influence and firm-level influence in the following section (2.5). In addition, further discussions about the dimensions of the cultural framework are presented in Chapter 3 and Chapter 6.

2.5 Research framework of corporate ownership and CSR in East Asia

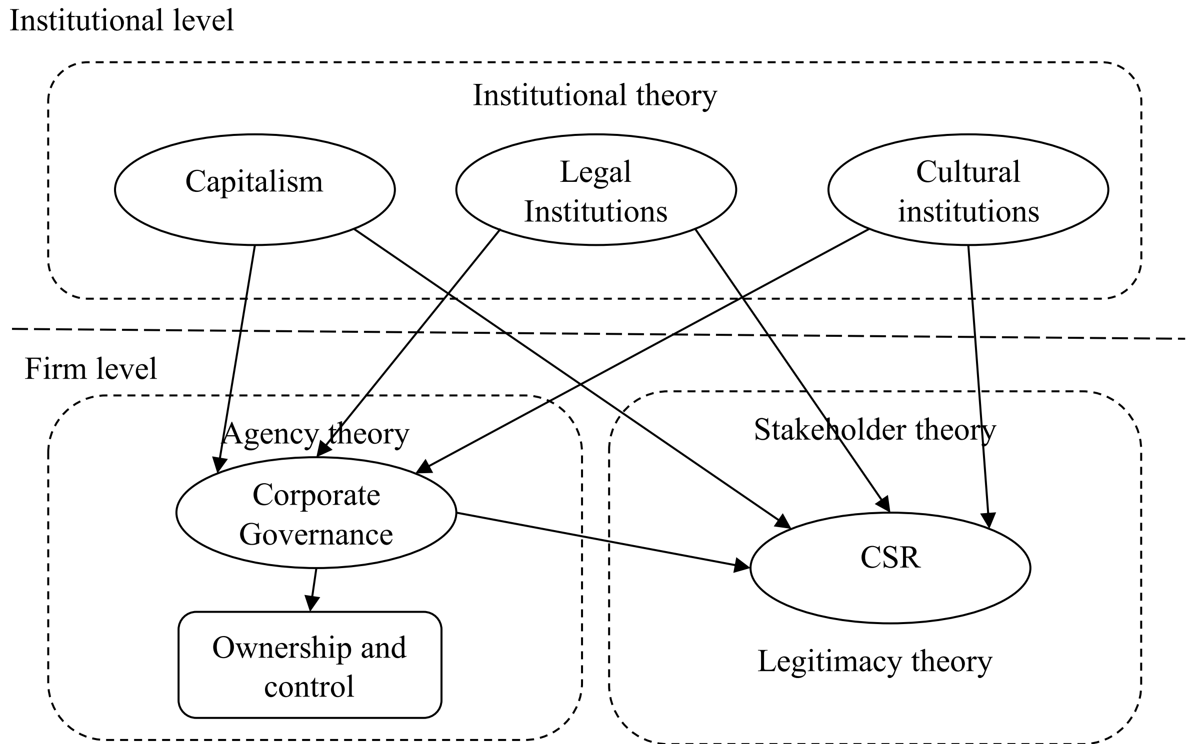


Figure 2.1 Research framework

On the basis of the theory discussions presented in the above sections, the thesis's research framework is outlined in Figure 2.1. Along with each construct, their associations with others are grounded in theories. A sole theory is not used independently in scrutinising the relationship between different constructs, as the thesis includes four CSR-related theories, namely agency theory, stakeholder theory, legitimacy theory, and institutional theory. Furthermore, the research framework depicts a multi-level analysis of CSR, helping to better understand the different theoretical perspectives involved. The thesis first examines the relationships between firm-level constructs (i.e. the influence of ownership and control on CSR) in Chapter 4 and 5. Thereafter, Chapter 6 expands to incorporate institutional-level influence on firm-level constructs to attempt to explain CSR.

The lower part of Figure 2.1 is elaborated upon in Chapter 4. Specifically, agency theory and stakeholder theory are applied in the association between ultimate corporate control

and CSR performance. The firm-level influence on CSR may contribute to stakeholder concerns over resource control and reputation. According to stakeholder theory, stakeholders may put pressure on firms involving CSR since they have specific control over resources. Meanwhile, additional costs of CSR may trigger a conflict of interests among stakeholders when resources are lacking and must be allocated to each stakeholder. Balancing the allocation of resources may lead managers to consider stakeholders' interests much more closely than agency costs (Jamali et al., 2008). Besides, negative CSR performance can result in reputational damage and lead to a negative image in the eyes of both shareholders and stakeholders. Thus, different types of control may affect decisions to engage in CSR less or more.

Unlike some studies to have used only one type of ultimate control to explain the firm's relationship with CSR, this thesis, and especially Chapter 4, presents three different situations involving ownership and control. The types covered are family, government and institutional investors, each of which are described from both agency and stakeholder perspectives along with the conflict between shareholders and stakeholders. To be specific, shareholders may act as agents of society and experience conflicts between maximum firm values and societal interests (Raelin & Bondy, 2013). Furthermore, varying stakeholder patterns shape CSR performance. For example, institutional investors may be the subject of pressure from beneficiaries to rebuild a weakened reputation. Since a firm's reputation is associated with economic benefits, the pressure on the firm to respond to stakeholders' interests also increases correspondingly. The integration of shareholder and stakeholder aspects helps to explain why firms differ in their CSR behaviour and how agency problems are dealt with in the three demonstrated types of ultimate control.

In addition, Chapter 5 also examines the lower part of Figure 2.1, and the main constructs of ultimate control and CSR-decoupling behaviour. Integrating with legitimacy theory, Chapter 5 provides a more complete picture of responsible corporate behaviour including assumptions about CSR decoupling. Moreover, stakeholder theory along with legitimacy theory may support the arguments claiming that different control types influence the misalignment between reported and performed CSR. Organisations act to enhance their legitimacy and benefit their stakeholders depending on the types of ownership and control.

Infusing legitimacy theory into stakeholder theory helps us to better understand an under-explored area of CSR-decoupling behaviour.

Chapter 6 displays the relationships in the upper part of Figure 2.1 and the interrelations between all constructs. Although Chapter 4 and 5 provide possible explanations about corporate governance and CSR at firm level, it is still ambiguous about the interdependent effects of firm-level and institutional-level influences. To fill the gap between agency and stakeholder theory in explaining CSR, Chapter 6 scrutinises institutional theory in relation to corporate governance and CSR. In particular, corporate governance is supposed to explain to some degree CSR as well as the consequences of institutional differences. Mainly relying on institutional theory, three different types of institution -capitalist, legal and cultural - and their influences on firm-level constructs are examined. With regard to institutional influence, it is assumed that capitalism, legal institutions and cultural systems may affect CSR and shape the influence of ownership and control on CSR.

Overall, the thesis focuses on the integration of different theories and examinations of the relationships between and among each construct, specifically in East Asian countries. This consideration of the institutional context reveals that other examinations of ownership and control, corporate governance and CSR in Western countries may not be applicable to Eastern countries. In terms of institutions and corporate governance, the patterns for East Asian countries are different. These differences may lead to the delivery of completely opposite results when analysing CSR performance and CSR-decoupling behaviour. This research reveals some intricacies of East Asia when it comes to corporate ownership and control influencing corporate behaviour and decisions.

In addition, although many prior studies have observed the relationships between firm-level and institutional-level influences and CSR, relatively few studies address the importance of multi-level influence on CSR. Middle-range theory, which refers to the meso-level between macro- and micro- level, may to some extent compensate for the ambiguity of conventional theories by integrating external environmental factors and internal resource dependency (Crilly, 2011), this concept lacks detailed explanations of specific constructs. Compared to other theories, middle range theory may be too general for this thesis. Indeed, it is crucial to know whether cross-level factors interrelate with each

other while there are different levels of effect on CSR. The thesis provides analyses of theories and constructs using both separate and collective approaches. Underlying this ambiguous situation, the research framework in Figure 2.1 is designed to resolve the inadequacies of using a sole theory and to find better explanations regarding CSR.

2.6 Conclusion

In summary, this chapter has introduced the thesis's research framework along with the three main constructs and their corresponding theories. Based on stakeholder theory and legitimacy theory, CSR has been constructed and developed, while agency theory has been applied to describe the separation of ownership and control in corporate governance. Lastly, institutional theory has been applied to explain different institutional pillars and their consequences for corporate behaviour. Overall, focusing on the interrelationships among CSR, ownership type and institutional factors, the research framework accommodates multiple influences. Ownership and control affect CSR, while institutions may also have an impact on both corporate governance and CSR.

Chapter 3. Research methodology

3.1 Introduction

This chapter describes the methodology according to which this research was conducted and the research philosophy applied to the chosen research strategy and methods. Overall, the thesis applies a positivist approach and quantitative methods. Firstly, the philosophy underpinning this research is discussed in the following section (3.2), which explains what the research philosophy shaped the choice of quantitative methods. Next, section 3.3 presents the research strategy and how this in turn helped to construct the research method. After specifying the methods, section 3.4 outlines the research design including how the sample was selected and the data collection method. Section 3.5 provides details the measuring of variables, while data validity along with data source validity are then both discussed in section 3.6. The last section (3.7) addresses the analysis procedures and how they impact on the following chapters.

3.2 Ontological and epistemological stance

In the conducting of business research, there are several research philosophies used to underpin research designs, such as critical realism, positivism, postmodernism, and pragmatism, which have been widely applied in relevant research. Ontology could help to explain what reality is and the meaning of existence in the nature of the world. Reality is a structured and layered ontology for critical realists. Meanwhile, positivists believe that reality objectively exists in the form of physical phenomena (Saunders et al., 2015). By contrast, postmodernists assume that phenomena are subjectively socially constructed, indicating that no objective fact exists. Elsewhere, pragmatists consider the practical consequences of actions and events rather than the objectivity or subjectivity of reality. The basic assumption of positivism is the existence of an objective reality (Tsang, 2017). Objectivists believe that social phenomena exist independent of social actors, and empirical knowledge can be tested in the same way that natural sciences employ testing. In other

words, there is no difference between research related to reality in the social world and the natural world.

Epistemology usually helps researchers to consider how knowledge is acquired and the justification behind knowledge claims. Understanding the nature of knowledge and the justification thereof is the primary consideration of epistemological assumptions. Bryman (2012) recognises that epistemology usually includes discussing what constitutes acceptable knowledge in the given discipline. Meanwhile, critical realists assume that social reality cannot be accessed directly through observation alone, which contrasts with the assumption of observable facts made by positivists. Positivism reflects that objective knowledge could be verified through the relationship between different variables. In postmodernism, the researcher addresses the investigation of phenomena and the process of knowledge creation, while pragmatists place an emphasis on solving human problems with practical outcomes.

Following a general introduction of research philosophies, this research puts an emphasis on positivism to develop the relevant knowledge. Generally, positivists address the importance of phenomena and their objective characteristics, using scientific methods based on observations and experiments to acquire knowledge; they prefer to use theory to develop hypotheses (Saunders et al., 2015). There are two main missions in the course of positivist research. First, it is important to verify which causal correlations are positive or negative through measurements and statistics. Second, the research process must be independent of observers and repeatedly testable, with the same results.

According to the positivist perspective, CSR may not be independent of social actors, but the measurement of CSR seems to be objective. Wood (1991) suggested that only the outcome dimension of corporate social performance model is actually observable and assessable. Companies can objectively report their CSR activities following widely adopted frameworks, such as GRI standards and SDGs. Then, researchers could assess these reports independently. Epistemologically, independent observers should be collected through a value-free ideal and not shaped by any subjective evaluation. Namely, the measurement of CSR could achieve its objectivity throughout independent evaluations, such as global standards for transparent reporting of CSR activities.

Furthermore, causality underpinned philosophical assumptions about factors decisive to the causal effects in positivism. In terms of philosophical underpinning, the measurement of CSR is an objective reality which involves different causal relationships. The thesis examines causality in relation to measuring CSR outcomes, from institution-level factors to firm-level factors. Other constructs, such as ownership and control, help to scrutinise the CSR reality.

The overemphasis on objectivity may be an issue needing to be overcome while collecting and gathering the data. This research also raised the problem that CSR may vary according to the different researchers and databases. In addition, positivism researchers usually understand the causality of variables through quantitative data analysis. Notwithstanding that there may be measurement errors between the theory and the actual data, inference results will also have deviations. Still, quantitative data support specific phenomena by providing empirical evidence (Knight et al., 2022).

3.3 Research approach and strategy

The research strategy involves the researcher considering different variables in a causal association, which is termed “explanatory research.” An essential part of explanatory research involves explaining the relationships between variables (Saunders et al., 2015). Following the research’s philosophical stance, the thesis’s research strategy is based on quantitative research, built according to the positivist observation of the world. The thesis applies a non-experiment research strategy with causal comparison. Positivists claim that a deductive approach verifies a theory and discovers causal relationships (Bryman, 2012). Specifically, the deductive method involves the use of findings generated after testing the hypotheses. On this basis, the knowledge-creating process for positivists involves developing hypotheses and testing them. Generally, more studies apply the deductive approach than those taking the inductive approach in quantitative studies.

In the thesis, Chapter 2 focuses on the choice of theories to explain CSR and what may influence it. Conceptualisations in the literature review chapter are inadequate to articulate CSR on their own and more real-world evidence is required. Therefore, empirical evidence about ultimate control and the institutional environment may help to develop an

unambiguous understanding of CSR. Based on several theories, the hypotheses about the causal relationship between corporate ownership, national institutions, and CSR are conducted, following a deductive approach. For example, institutional theory and stakeholder theory provide possible factors that may influence corporate behaviour in different ways. Thus, in order to answer the research questions, the research strategy applies a deductive approach and quantitative method to understand the causation in CSR.

This CSR research aims to identify the factors influencing CSR and confirm that empirical findings are in line with prior studies. Other causal research may somewhat ignore whether bias and confounding factors exist in the relationship, while this research contains different-level variables to resolve the problem. Firms are operated in a multi-level system, from institutional cluster to industry cluster, so that it is essential to consider the aggregated multilevel system of firms in the research. The view from the macro level may impact the causal association between ownership and CSR; therefore, the institutional background in the given research region is explored.

3.4 Research design

The logical research design used in natural science impacts the positivist viewpoint such that empirical testing can be verified in a generalised way. Positivist researchers act as neutral observers and connect with reality using scientific methods. Namely, a phenomenon and its cause correspond with each other directly, exhibiting a one-to-one correspondence (Ryan, 2006). Researchers may use the correlational design to explain the relationships among several variables (Creswell, 2020). In this research, the researcher develops the causal correlation between some constructs and CSR. To ascertain the performance of CSR in terms of related actions, the process of knowledge acquisition contains both observations and experiences. Based on selected theories, the researcher studies corporate governance and institutional frameworks as critical influences on CSR. Their correlations are demonstrated in the regression analysis in three empirical papers. To be specific, the first empirical paper discusses the relationship between corporate control and CSR performance, the second addresses the association between ownership and CSR decoupling, while the third tests the correlation between institutions and CSR.

This thesis combines diverse methodologies from different disciplines, as the research questions address several research areas such as CSR disclosure and performance, ownership and control, and country institutions. First, following prior finance research (Carney & Child, 2013; Claessens et al., 2000), independent variables- types of ownership and control- are defined and collected. Second, various accounting and finance research discussing non-financial performance suggests appropriate method of data analysis, such as Rees and Rodionova (2015) sunned OLS regression to prove the relationship. Third, based on prior management research, the thesis builds two-level of impact on CSR. For instance, Graafland and Noorderhaven (2020) found that culture and institutions directly and indirectly affect CSR. Orlitzky et al. (2017) demonstrated the multilevel model of drivers of CSR performance. The integration of methods fosters this interdisciplinary research, promoting the knowledge acquirement and enhancing the credibility and validity of research findings.

Overall, this research applies quantitative methods to demonstrate the relationships among variables. The correlational hypotheses are informed by theories and assumptions through a deductive approach, while, importantly, the East Asian context is considered in the research design. Using statistical models, some significant relevance may be observed in the results and explained to answer each of the research questions.

3.4.1 Sample selection

The research covers the context of East Asia, in which the corporate structure, institutional environment, and government efficiency varies from one country to the next. The reason for selecting East Asia for the research sample was mainly based on an institutional view. The United Kingdom and the United States have relatively complete laws on shareholder protection which is reflected in diverse minority shareholders and diffused ownership (Peng & Jiang, 2010). However, using data from such countries may not fully articulate the country-level influences that moderate the association between ownership and CSR. However, only a few studies have thus far applied the data to East Asia to determine the significance and explain it on the basis of different institutional frameworks. Of relevance,

Ghoul et al. (2016) investigated the relationship between family control and ownership, using East Asian data.

Countries in East Asia each have different institutional frameworks in terms of law, economics, and culture. They share some common history, which is reflected in their cultures and business systems; however, they are also undergoing transformations after the global financial crisis (Carney & Child, 2013). Looking at earlier decades, it is noticeable that dominant social institutions and social development were two important features used to explain differences between countries (Whitley, 1991). More recently, companies have had to undergo regulatory change through corporate governance reforms, affecting corporate ownership in the region especially.

Moreover, there are concerns over family control and state ownership in East Asian companies, with regard to family shareholdings and management, and the exertion of political influence in the form of state ownership (Globerman et al., 2011). Carney and Child (2013) re-examined the corporate ownership structure among East Asian countries and found that firms in Hong Kong, Malaysia, and Thailand were more dominated by governmental ownership than before, while firms in the Philippines had shifted toward family control. These transformations indicate that firms in East Asia are under the influence of changes of ownership and control, which also affects their performance (Globerman et al., 2011).

The sample was selected from publicly-traded companies in East Asia following the procedures explained below. Several secondary sources were used to collect data and construct the research sample. The sample was selected from nine countries in East Asia (Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand) over a ten-year period (from 2010 to 2019). Firstly, the sample focuses on publicly-traded companies. Considering that listed companies may not operate in a listed market, the "country of domicile" filter was therefore added. In other words, the sample used a firm's home country, where corporate decisions are made, instead of the listed location. For instance, if a firm's domiciled country is Singapore but listed in Shanghai Stock Exchange, it was still included in the sample. Second, the sample collection

process was based on CSR data availability, meaning only firms with CSR data were included in the sample.

Table 3.1 summarises the thesis sample composition by country, industry, and year. The industry classification was based on the Industry Classification Benchmark (ICB) code used in the FTSE international stock market. The final sample consisted of 1,236 unique firms and a total of 8,241 observations over the 2010-2019 period. However, based on the data of independent variables and control variables, there were minor revisions in each empirical paper.

Table 3.1 Thesis sample distribution

	Firms	Obs.
Full sample	1236	8241
Across country		
Hong Kong	141	922
Indonesia	46	305
Japan	465	3580
Malaysia	65	476
Philippines	26	210
Singapore	79	359
South Korea	157	928
Taiwan	153	1105
Thailand	104	356
Across industries		
Automobiles and Parts	41	368
Banks	81	619
Basic Resources	41	324
Chemical	50	429
Construction and Materials	46	393
Consumer Products and Services	61	353
Energy	37	267
Financial Services	40	215
Food, Beverage and Tobacco	80	488
Health Care	67	321
Insurance	22	148
Industrial Goods and Services	185	1403
Media	21	81
Personal Care, Drug and Grocery Stores	24	98
Real Estate	112	541
Retail	47	243
Technology	136	977
Telecommunications	41	289
Travel and Leisure	40	229
Utilities	55	387
Other	9	68
Across years		
2010	664	664
2011	694	694
2012	728	728
2013	747	747
2014	784	784
2015	818	818
2016	857	857
2017	909	909
2018	953	953
2019	1087	1087

3.5 Variables and measurements

3.5.1 CSR performance and disclosure

Following a CSR literature review, two terms specifically used in the thesis are clarified here. The first is “CSR performance,” which is adopted in the following three empirical papers. The actual measurement of CSR performance is somewhat difficult and challenging and several methods currently exist. While considering the multidimensional stakeholder perspective, scale measurement is a way of measuring CSR. Moreover, multidimensional scale measurement has its advantage in illustrating the concept of the stakeholder group. For example, Akremi et al. (2018) classified a stakeholder group as comprising the community, the natural environment, employees, suppliers, customers and shareholders, while Fatma et al. (2014) cited customers, shareholders, society, employees, and the environment as the key stakeholder group.

Similarly, this classification with stakeholder dimensions could also be observed in the current rating databases. Moreover, ratings delivered by companies like MSCI, KLD, ASSET4, Sustainalytics are fundamentally considered to represent the outcomes of social and environmental impacts, but there is still some controversy as to whether their ratings are processes or outcomes (Wood, 2010). Apparently, there is no consistent answer for any specific category but, overall, such scores fall under the CSR conceptual framework.

As it is difficult to construct scale measurement from an international perspective, using current databases may better include different dimensions of the environment and society. For example, the Refinitiv (formerly known as ASSET4) dataset provides a multidimensional evaluation of 186 metrics for the environmental, social, and governance pillars. Many prior studies have examined the environmental, social, and governance (ESG) scores from the ASSET4 database (Adegbite et al., 2019; Dyck et al., 2018; Ghoul et al., 2016; Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012; Liang & Renneboog, 2017; Rees & Rodionova, 2015).

Although CSR has been examined in prior literature, there is still no consistent measurement of its performance. Indeed, CSR performance measurement is somewhat challenging for various theoretical and practical reasons, but measurements certainly need to include social and environmental dimensions to avoid an overly limited perspective (Dyck et al., 2018; Ghoul et al., 2016; Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012). Thus, the ASSET4 environmental and social score was chosen to assess CSR performance. Its score shows CSR effectiveness, collected from public information including annual reports, company websites, and news sources. A major advantage of this rating is that it evaluates information to determine the impact (either damage or attribution) of a firm's activities on the environment or society. For instance, resources use, emissions, and innovation contribute to the environmental pillar score, while workforce, human rights, community responsibility, and product responsibility make up the social pillar. Detailed descriptions of environmental and social dimensions are included in Appendix 1.

Next, it is essential to arrive at a weighted method for the CSR score based on the Refinitiv E&S score. According to ASSET4 methodology, each pillar's score is calculated as a relative sum of the category weights, which vary per industry for the environmental and social categories. Some scholars (Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012) combine E&S dimensions into a single index but note that the weights of different dimensions in the aggregation may affect the new score. The environmental pillar score is weighted at 44%, and the social one is at 31% for three categories. Different industries vary in terms of weighting, as mentioned above. Consequently, Ioannou and Serafeim (2012) used an equal-weight method to calculate the E&S score combination, an approach which was also applied in the research of Dyck et al. (2018), Ghoul et al. (2016), and Graafland and Noorderhaven (2020). It is appropriate here to assume the equal importance of each pillar to formulate the E&S score. Therefore, the variable CSR performance will be assessed with an equally-weighted E&S score for every fiscal year in the sample.

CSR disclosure is a concept somewhat similar to CSR performance. Although some rating agencies, such as Refinitiv, also consider firm transparency on environmental and social issues, they do not actually measure the quality of disclosure. Regarding relevant rating companies, Bloomberg's disclosure score focuses on the disclosure quality (Berg et al.,

2022). Looking at the methodology according to which Bloomberg calculates a firm's disclosure score, the reporting framework and consistent reporting are two important criteria for transparency. Following the database calculation methodology, CSR disclosure is understood as a combination of environmental and social disclosure aspects, measured as an equally-weighted score.

3.5.2 Corporate ownership and control

The method used to measure corporate ownership and control applies the ultimate controller concept, which includes both a shareholding calculation and the assignment of board members to their appropriate groups. The ultimate controller is defined as a shareholder with controlling rights in a company (Fan & Wong, 2002). Different methods have been proposed to classify ownership and control. In prior studies, La Porta et al. (1999) scrutinised the five common patterns of control by type of owner identified in the existing research: family or individual; government; institution; widely-held corporation; and miscellaneous. Based on this ownership classification, "individual and family" may be recognised as one group since both an individual and a family follow a similar pattern of ownership (i.e. one person holds the majority of shares).

Instead of immediate ownership, where shares are directly owned by someone, the ultimate controller concept comprehensively explained the mystery of blockholders and individuals behind the corporate shareholder. Firstly, the party with the largest number of shares may not necessarily have the controlling rights in a company (La Porta et al., 1999). Secondly, it is recognised that executive boards of East Asian firms are usually controlled through cross-holding shares and have a pyramid structure (Claessens et al., 2000). Identifying the ultimate controller can help to understand not only who or what has the majority of shares but also whether the majority shareholder has the ultimate control, especially when the largest shareholder is a corporation instead of a person. Based on prior research, the most common control patterns of ultimate owners can be categorised into the following three types: family or individual owners; government; or financial institutions (Carney & Child, 2013; La Porta et al., 1999). Although these three types may not completely explain the whole picture of ownership structure, with for instance widely-held corporations being

excluded, the data nevertheless show that most firms are still controlled by a revealed owner who can be traced.

There are several steps and exceptions to consider when ascertaining which type applies. The first step is to identify whether the firm is a family firm or not. Following the method of Carney and Child (2013), the apparent controller should have at least a 10% shareholding, directly or indirectly. As the name of the shareholder is required to classify the controller, the research entailed manually collecting shareholder information from annual reports and company websites. In addition, to ascertain the controller, at least one family member needed to be selected as top management or director in the board (Cascino et al., 2010; Cruz et al., 2014; Madden et al., 2020; Lamb & Butler, 2018). Unlike some prior studies to have defined a firm as family-controlled if its family ownership is in excess of 5% (Peng & Jiang, 2010), 10% (Ghoul et al., 2016), or 50% of a firm's equity (Lopatta et al., 2017), La Porta et al. (1999) set 10% direct and indirect voting rights as the threshold for identifying the ultimate controller of voting. In other words, firms in which shareholdings of family members from were greater than 10% were allocated as the family ownership type. For example, Great Eagle Holdings holds a major position in Champion REIT (HK:2778) and is controlled by the Lo family, which also chairs Champion REIT. Therefore, it is considered family-owned. Similar to the former case, the majority of Nippon TV Holdings (TYO: 9404) is held by Yomiuri Shimbun Holdings, whose substantial shareholders are the Shyouriki family.

According to prior research (Carney & Child, 2013; Claessens et al., 2000), there are some companies whose largest owners use nominee accounts and holding companies to control the board. As the regulation of such disclosure is different from one country to the next, it would be problematic to use the same method to trace the ultimate owners across various countries. For example, firms listed in Singapore are obliged to disclose details of substantial shareholders' direct and indirect interests, while Japanese companies have to disclose shareholder information with most nominee accounts. This is common in family- or individual-controlled firms, helping controllers to hide their names. Therefore, if one corporation is held by another corporation, holding companies, or nominee accounts whose owner cannot be identified, the ownership type was classified as "unknown" and excluded

in the sample. For instance, TPI Polene Power is held by TPI Polene Public Company Limited, the ultimate owner of which cannot be traced.

Following the first step, if a firm is not controlled by a family, the second essential step is to identify firms which are state-owned enterprises. It is noteworthy that some types of traditional government ownership may be classified as institutional ownership, such as funding from local government or banks supported by the government. Furthermore, the data indicate that some governments control firms using specific holding companies, such as Temasek Holdings which is a private company owned by the Singaporean government and controls many holding companies. CLA Real Estate Holdings is one such example of Temasek's holding companies, which has substantial shareholdings in CapitalLand. This research has used the term government-controlled firms instead of state-owned since the databases provide less data for state-owned firms in East Asia.

The last crucial step is to categorise firms that fall under institutional investor control. If a firm is not family-controlled or government-controlled and it fulfils the conditions that either the sum of non-institutional investors is less than 10% or none of the shareholders own in excess of 10% and most of the 10 largest shareholders are institutional investors. Most Japanese companies have institutional ownership and are widely held by different institutional investors, thus similar to the category of widely-held financial institutions set out by Carney and Child (2013). This classification is not typical though since institutional investors are not directly involved in the decision-making process, even if they are the largest shareholders. This thesis has applied the definition of institutional investor control for firms in order to differentiate them from those under family and government control.

The limitation of the ownership databases is problematic while determining firms' ownership type. Although Bloomberg includes the ownership type of firms, the classification thereof is sometimes not precisely calculated. There were even some errors in classifying investment advisors, corporations, and holding companies. Misunderstandings with regard to firm and individual name also occurred, especially in Thailand and Indonesia. Due to this problem, most ownership type data were collected using annual reports and shareholding statistics on company websites. Another question

concerning the ownership variable is that firm ownership changes slowly and finding relevant information at a specific time is difficult.

Table 3.2 provides summary statistics for the manually-collected data on ownership and control in the sample. The table clarifies patterns of corporate ownership and control in East Asian currently. It was found that family-controlled firms were the most common type in all countries except Japan and Singapore. Firms under institutional investor control are mostly located in Japan. There were also some unknown types of ownership and control because of unclear public information.

Table 3.2 Ownership and control summary statistics

Type	Family Obs	Government Obs	Institutional Obs	Unknown Obs	Total Obs
Hong Kong	519	283	101	19	903
Indonesia	153	122	27	3	302
Japan	416	87	3052	25	3555
Malaysia	210	204	40	22	454
Philippines	200	10	0	0	210
Singapore	160	171	19	9	350
South Korea	695	92	133	8	920
Taiwan	646	110	349	0	1105
Thailand	176	142	36	2	354
Total	3175	1221	3757	88	8241

3.5.3 Country-level variables

Country-level variables rely on prior literature, indicating the significant influence of institutions on CSR. First, models of capitalism are classified according to Hall and Soskice (2001) and Amable (2003). Following Rees and Rodionova (2015), LMEs and CMEs show an apparent preference for shareholders and stakeholders, respectively. This classification is similar to Orlitzky et al.'s (2017) national business system clusters, including LMEs and CMEs. After reviewing them in detail, countries such as Australia, Canada, Hong Kong, Singapore, the UK, and the USA were categorised as LMEs, and countries including Italy, France, Germany, Japan, Spain, Sweden, and Switzerland were classified as CMEs. With regards to countries in East Asia, Hong Kong and Singapore were LMEs, and Japan was classed as a CME based on prior studies (Rees & Rodionova, 2015). Furthermore, combining the findings of Amable (2003) and Hall and Soskice (2001), Taiwan and South

Korea are also identified as CMEs, which two countries have similar economic activities and labour market to Italy and France.

Other sample countries, including Indonesia, Malaysia, the Philippines, and Thailand, were more challenging to define in terms of their variety of capitalism because, compared to the other selected countries, they are emerging economies in which the business system is a matter of debate and their business style is too young to define. Following prior studies (Witt & Jackson, 2016; Zhang & Whitley, 2013), it was identified that Malaysia and Thailand have more similarities with LMEs, with relatively weak industrial relations and unequal power relations. Furthermore, their investor protection is strong. According to World Bank, Malaysia and Thailand provide greater protection for minority investors. Therefore, they are classified as countries in LMEs, with shareholder primacy. Supported by Witt et al. (2018), Indonesia and the Philippines are in the same cluster as Thailand, albeit with lower levels of per capita GDP. They all belong to emerging economies. However, evidence from World Bank shows that these two countries have lower scores for protecting minority investors, which is similar to Japan's situation. From a shareholder protection perspective, Indonesia and the Philippines were thus considered as CMEs, with stakeholder primacy.

The second institution-level variable follows La Porta et al. (2008), and thus assumes that legal origins influence laws, regulations, and economic outcomes, implying particular consequences for shareholder protection (Peng & Jiang, 2010). Liang and Renneboog (2017) also verified the relationship between a firm's socially-responsible behaviour and the legal origins of the given country. Typically, legal traditions can be divided into common law and civil law systems. The former derives from England and its colonies, while the latter originates from Germany or France. According to La Porta et al. (2008) and Liang and Renneboog (2017), Japan, South Korea, and Taiwan are German civil law countries, Indonesia is a French civil law country, while Hong Kong, Malaysia, Singapore, and Thailand are common law countries. The Philippines is of mixed legal origin given its history and development. Normally, it is recognised as a civil law country, but the American common law system has had a large influence on its law in recent centuries (Mahy & Sale, 2012).

Overall, each country's variety of capitalism and legal origins are introduced in the following paragraphs. To establish clear picture of the East Asian institutional framework, each country's features are also addressed in these introductions.

Hong Kong - Hong Kong represents a free economy with well-developed regulations, where the financial sector drives most economic growth. However, Hong Kong has some limits when it comes to implementing corporate governance codes. The most common type of corporate ownership is family-controlled, while the boards of directors and management teams are generally not independent (Marketline, 2021a). Legally, Hong Kong has been continually applying common law principles since the territory was transferred to China in 1997.

Indonesia - Politically, Indonesia is officially a democracy, but it faces a serious corruption problem, which affects its business development and foreign investments (Schwab, 2019). Meanwhile, its economic growth largely relies on the mining, manufacturing, and utilities sectors. Indonesia is commonly classified as having a French civil law system (La Porta et al., 2008), although some debate that the Indonesian legal system is a combination of common law and civil law concepts (Mahy, 2013).

Japan – In the first half of the 20th century, Japan became one of the most industrialised nations in the world. It now has a relatively robust democracy compared to other countries in East Asia. Based on the German civil law system, Japan regulates product competition more stringently than its East Asian counterparts (Marketline, 2021b), which indicates that new businesses require more procedures to enter the market. ESG disclosure regulation in Japan was first launched in March 2020 with a practical handbook providing a general guideline for listed companies. However, this is not compulsory. Until the International Sustainability Standards Board (ISSB) released new non-financial reporting rules, listed companies in Japan did not have a consistent reporting benchmark and instead referred to multiple voluntary rules including the Global Reporting Initiative (GRI) standards.

Malaysia - With powerful government institutions, Malaysia's legal framework is based on British common law, having been a British colony in the 19th century. From an economic perspective, its exports are strong in a global sense (Marketline, 2020), while among other East Asian countries, Malaysia also maintains a highly competitive position.

Philippines - Politically, the country remains prone to high levels of corruption at local and national government levels. Meanwhile, its economic growth relies on the service and industrial sectors, especially food-processing and textile companies. Prior studies suggest that the Philippines is of civil law origin (La Porta et al., 2008; Liang & Renneboog, 2017). However, according to research form Mahy and Sale (2012), it has a mixed legal system based on Spanish civil law and Anglo-American common law. Furthermore, its labour law is comprehensively influenced by American common law.

Singapore - Singapore performs well economically and boasts an efficient government. With high dependence on international trade, the Singaporean economy mainly hinges on the service sector, which contributed 74.46% of its GDP in 2020. Singapore is a republic with multiple parties in its parliament, but the current government has restricted the freedom to build a more inclusive society. Its legal system's origin is British common law and it became an independent nation in 1965. Furthermore, based on Kimber and Lipton (2005), Singapore has adopted an Anglo-American model in its corporate governance.

South Korea - Economically and politically speaking, South Korea's technology sector is lacking in competition since large family-controlled business groups, chaebols, are continually supported by the government, which indicates that Korean politics and chaebols interdependently cooperate. The country's legal system is based on civil law, but corruption in relation to the aforementioned chaebols remains highly concerning.

Taiwan - Taiwan has democratic institutions, while its frosty relationship with mainland China influences its policy and challenges its business trading. Taiwan's economy is dependent on the service sector, which represented 61.84% of its GDP in 2020. However, most of its valuable firms are in the industrial sector, such as the semiconductor industry. Taiwan's legal framework is fundamentally based on civil law and influenced by German and Japanese law. However, there are some concerns regarding its restrictive policy in many different sectors; for instance, the Taiwanese government dominates the utilities sector.

Thailand - Politically, Thailand struggles with corruption and government ineffectiveness, having become an upper-middle-income country in recent 30 years. Thailand's GDP largely relies on its service sector, particularly tourism. Legally, Thailand has a civil law

system, but its law has inadequate protection for unions, which is not typical of civil law countries.

To measure the impact of cultural systems, the research method used Hofstede's cultural framework to present differences among sample countries. There are six dimensions in Hofstede's system, including: individualism versus collectivism; long-term versus short-term orientation; power distance; uncertainty avoidance (UA); masculinity versus femininity; and indulgence. The scores for these are established based on a large survey and Hofstede's Value Survey Module, reflecting a country's national culture. For example, according to Hofstede (1991), in a country with a higher level of individualism, its citizen members are less interdependent. Long-term orientation (LTO) refers to a country holding a long-term view and acting in pursuit of future rewards. Meanwhile, a high level of power distance means a bigger gap between authority and people. A summary of country-level variables is shown in Table 3.3.

Table 3.3 Country profile

	Capitalism	Legal	Individual	LTO	Power distance	UA	Masculinity	Indulgence
Hong Kong	LME	Common	25	61	68	29	57	17
Indonesia	CME	Civil	14	62	78	48	46	38
Japan	CME	Civil	46	88	54	92	95	42
Malaysia	LME	Common	26	41	100	36	50	57
Philippines	CME	Common	32	27	94	44	64	42
Singapore	LME	Common	20	72	74	8	48	46
South Korea	CME	Civil	18	100	60	85	39	29
Taiwan	CME	Civil	17	93	58	69	45	49
Thailand	LME	Civil	20	32	64	64	34	45

3.6 Data reliability and validation

The thesis uses several data sources which may affect consistency and manually-collected data which may present difficulties in terms of data reproduction. In terms of data reliability and validity of sources, Table 3.4 provides the measures, measurements, data sources, and references for each variable. Generally, thesis data collected from databases produces the same results in terms of consistency, meaning the data are of good reliability. Since no single database could provide all required data, multiple sources of database are used in the

thesis. Although data were collected from different databases, they are justified with repeated examinations from academics and practitioners.

First, CSR data were collected from two different databases, namely Refinitiv and Bloomberg. Refinitiv ESG scores (formerly known as ASSET4) provides the CSR performance data for the thesis. Pertinently, Berg et al. (2022) found that CSR performance ratings are divergent because environmental and social pillar's measurements are disparities. According to Berg et al.'s research (2022), Kinder, Lydenberg, and Domini (KLD) data is the most different one among other ratings. In particular, they suggested that including more than one ESG rating may avoid pronounced divergence. To resolve the problem of using a sole data source, the empirical papers contain Refinitiv scores as the main finding and use other data sources in the robustness tests.

Second, ownership and control data were manually collected and categorised by the thesis's author, while using existing ownership data from databases may lead to misunderstandings of the concept of ultimate control and could even contradicts the definitions set out for variables. Manual collection helps to construct better data validity with regard to ownership and control. Data were first obtained mainly from annual reports and public reports in each respective stock exchange. Then they were reviewed and the ultimate ownership type was identified manually, following the ownership and control variable measurement. Although the methodology follows Carney and Child's (2013) published work, there are some differences. For instance, the categories of ultimate control are fewer in this thesis.

Third, country-specific data have been applied in accordance with different scholars' research results. The first country-level variable, a country's variety of capitalism, was categorised following the research of both Amable (2003) and Hall and Soskice (2001). Elsewhere, the legal origin data were based on La Porta et al.'s (2008) research. In addition, the general country legal framework references Thomson Reuters Practical Law and some other studies. Cultural factors were obtained from Hofstede's related culture research. While culture change is in a relative slow motion, the cultural scores are collected as the consistent score across sample period for ten years. Hofstede's data are originated from different years based on the collected survey data. Repeatedly, prior studies have tested the

relationship between Hofstede's culture score and CSR (Cai et al., 2016; Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012), demonstrating that cultural data could be reliable.

Table 3.4 Thesis variables

Variables	Measures	Measurement	Source	References
CSR performance	Environmental pillar score	The relative sum of the category (emissions, resource use, innovation) weights.	ASSET4 ESG score	Adegbite et al. (2019); Dyck et al. (2018); Ghoul et al. (2016); Graafland & Noorderhaven (2020); Ioannou & Serafeim (2012); Liang & Renneboog (2017); Rees & Rodionova (2015)
	Social pillar score	The relative sum of the category (community, human rights, product responsibility, workforce) weights.		
	Aggregated E&S score	Equally-weighted environment and social pillar score		
Corporate ownership and control	Family	Define family=1, when a firm's ultimate controller is an individual or group of family.	Annual reports, Bloomberg, company websites and news	Carney & Child (2013); Ghoul et al. (2016)
	Government	Define government=1, when a firm's ultimate controller is a government.	Annual reports, Bloomberg, company websites and news	Carney & Child (2013); Ghoul et al. (2016)
	Institutional	Define institutional=1, when there is no apparent family or government controller and most of 10 largest shareholder are holdings from financial institutions.	Annual reports, Bloomberg, company websites and news	Carney & Child (2013); Ghoul et al. (2016)
	Institutional ownership percentage	Percentage of shares outstanding held by institutions. Institutions include 13Fs, US, and International Mutual Funds, Schedule Ds (US insurance companies), and institutional shareholdings that appear on the aggregate level.	Bloomberg	Dam & Sholtens (2012); Walls et al. (2012)
Country-level variables	Capitalism	Define capitalism=1, a firm's domicile country that is categorised as a CME; when capitalism=0, a firm's	Amable (2003), Hall and Soskice (2001)	Orlitzky et al. (2017); Rees & Rodionova (2015)

		domicile country that is categorised as an LME.		
	Legal origin	Define legal=1, a firm's domicile country that is categorised as a civil law country; when legal=0, a firm's domicile country is categorised as common law country.	La Porta, Lo´pez-de-Silanes, and Shleifer (2008)	Cai et al. (2016); Liang & Renneboog (2017); Peng & Jiang (2010); Rees & Rodionova (2015)
	Individualism	The degree of interdependence a society maintains among its members.	Hofstede (1997, 2001)	Cai et al. (2016); Ioannou & Serafeim (2012)
	Long-term orientation (LTO)	How every society has to maintain some links with its own past while dealing with the challenges of the present and future.	Hofstede (1997, 2001)	Graafland & Noorderhaven (2020)
	Power distance	The extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.	Hofstede (1997, 2001)	Cai et al. (2016); Ioannou & Serafeim (2012)
	Uncertainty avoidance	The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions to try to avoid these.	www.hofstede-insights.com	Graafland & Noorderhaven (2020)
	Masculinity	What motivates people, wanting to be the best (masculine) or liking what you do (feminine).	www.hofstede-insights.com	Graafland & Noorderhaven (2020)
	Indulgence	The extent to which people try to control their desires and impulses.	www.hofstede-insights.com	Graafland & Noorderhaven (2020)
Control variables	Firm size	Logarithm of total assets.	Refinitiv	Adegbite et al. (2019); Chen et al. (2020); Graves & Waddock, (1994); Neubaum & Zahra (2006)
	Leverage	Total debt/total equity.	Bloomberg	Chen et al. (2020); Dam & Scholtens (2013); Ghoul et al. (2016); Lopatta, Jaeschke & Chen (2017); Madden et al. (2020); Oh et al.

			(2017); Rees & Rodionova (2015)
ROA	Return on assets.	Bloomberg	Cai et al. (2016); Ghoul et al. (2016); Ioannou & Serafeim (2012)
MTB	Market(price) to book ratio.	Bloomberg	Cai et al. (2016); Ghoul et al. (2016); Rees & Rodionova (2015)
Board size	The number of directors on the board.	Refinitiv	Ghoul et al. (2016); Oh et al. (2017)
CEO duality	Whether the CEO and chairman positions are separate or not.	Refinitiv	Barnea & Rubin (2010); Lopatta, Jaeschke, Canitz, et al. (2017)
Women on board	Percentage of women on the board of directors, as reported by the company.	Bloomberg	Byron & Post (2016)
CSR committee	Define CSR committee=1 when there is a CSR committee in a firm.	Bloomberg	
GDP per capita (ln)	Logarithm of gross domestic product divided by midyear population.	World Bank; National statistics of Taiwan	

3.7 Analysis procedures

The quantitative research method was applied to answer the research questions about factors affecting CSR. Through testing relationships between different constructs and CSR itself, the thesis found substantial evidence to demonstrate how selected theories would explain CSR. The quantitative dataset helps to enhance knowledge about concepts in theory development (Knight et al., 2022). To be specific, the analysis in Chapter 4 helps to understand the relationship between ultimate control and CSR performance. Chapter 5 aims to explain the concept of CSR decoupling along with ownership and control, while Chapter 6 develops the quantitative model to evaluate national institutions and CSR performance. These chapters follow the development of theory-based hypotheses and statistically test them. The results are then discussed after several regression tests.

A detailed analysis process is introduced in Chapter 4, 5, and 6 respectively. Chapter 4 and Chapter 5 are analysed in similar multivariate regressions, while Chapter 6 builds a comprehensive model to verify the moderated hypotheses about country-level influence. The reason for including this influence is that the relationship between ownership and CSR may not be fully explained otherwise. Country-level influences may also be considered as moderating effects, while different ultimate controller types positively or negatively influence CSR. The moderating here concerns which conditions this relationship will enhance or weaken, seeking to understand the institutional context which is an essential part of the analysis process.

Chapter 4. The influence of ownership and control on CSR performance

4.1 Introduction

Although companies are encouraged to adopt sustainable development goals instead of only pursuing outstanding financial performance, many still put shareholders' interests in better returns first (Abeysekeraa & Fernando, 2018). It is unclear what makes firms prioritise shareholders' or stakeholders' benefits, extending to what factors differentiate each firm's performance on social and environmental dimensions. Stakeholder theory may provide a proper explanation of this effect. Managing stakeholders can help determine resource allocation and explain the conflicts between financial value and social responsibility (Walls et al., 2012). The controller of a firm may prioritise stakeholders or shareholders in line with public interests or self-interests respectively. Tendencies for shareholders' benefits often results in decreasing social and environmental performance (Rees & Rodionova, 2015). This study, therefore, aims to ask to what extent different control types, including family, institutional or governmental, influence CSR performance at the cross-country level.

Given the vast literature that discusses corporate governance and CSR, such as some scholars (Ghoul et al., 2016) examined the influence of family control while others found the effect of family ownership (Rees & Rodionova, 2015), they focused on a single type. Moreover, Ghoul et al. (2016) did not apply other control types such as institutional investors and government control in the research and their dataset of family control was taken from an older study by Carney and Child (2013). Some studies only focus on a single country, such as evidence from Malaysia (Ghazali, 2007) and South Korea (Kim & Lee, 2018; Oh et al., 2011). Or some research uses data from Western companies (Block & Wagner, 2014; Dam & Scholtens, 2012). Instead, we apply multiple types of controllers and multiple countries of East Asia in this study.

Some empirical evidence has demonstrated the impact of control types on CSR. Firstly, Ghoul et al. (2016) found that ultimate controlling shareholders who belong to one family have a negative impact on CSR, but they did not apply other control types in the research and their dataset of family control was taken from a study by Carney and Child (2013)

rather than using more recent data. Secondly, Lamb and Butler (2018) also used the control concept in their research, but only included companies listed on the Fortune 500. Third, East Asian companies feature the separation of ownership and control. When looking at companies in East Asia, the family has a critical role in the shareholding and management team (Claessens et al., 2000; Globerman et al., 2011). Meanwhile, institutional ownership is less active in Asian countries (Claessens & Fan, 2002), while governments in East Asia have the political power to influence ownership (Globerman et al., 2011).

The research sample consists of 1,236 unique firms and a total of 6,952 observations from 2010 to 2019 for nine countries in East Asia. According to the results, if a family controls a firm, it would have a negative relationship with CSR performance. Institutional investors and government-controlled firms are positively associated with CSR performance. Namely, family-controlled firms are believed to reduce CSR-related activities and to have a worse CSR performance than non-family firms. Conversely, firms controlled by institutional investors or governments act more socially responsible in line with stakeholder theory. The results remain robust when endogeneity tests are applied.

The first significant contribution of this study is to enrich the debate about corporate ownership and CSR by presenting evidence concerning East Asian companies. Explaining the relationship between ownership and CSR, stakeholder theory helps to demonstrate that the conflict between stakeholder interests also addresses reputation and financial resource concerns. The finding of negative influences of family on CSR indicates that family firms make strategic decisions in line with shareholder primacy. This thesis also emphasises another two types, institutional investors and government controller, which are believed to have tendencies for better CSR performance in a firm. More specifically, this study provides individual country evidence to advance the CSR literature. Results of companies in Hong Kong indicate on the idea that family firms are positively related to CSR, but government-controlled firms have a negative relationship with CSR, which stand opposed to initial assumptions on government control and CSR. This contradiction suggests that the level of democracy of the government in question and the stringency of regulations should be considered when sampling the region.

Besides, this thesis expands upon the discussion about the measure of family, institutional or government control, contributing to the broader research already done on Asian corporate governance. Similar to Kim and Jo's study (2021), how to recognise controlling owner type can be specific depending on the region. It is evident that family firms occupy the largest proportion in most countries, except Japan and Singapore. In this thesis, the method to distinguish whether a family, institution or government controls a firm relies on prior research (Carney & Child, 2013; Lamb & Butler, 2018). Thereafter, the author manually collected the information from annual reports and company websites. The data summary indicates that trends remain the same in Hong Kong, Japan, Malaysia, the Philippines and Singapore, but family firms are still dominant in Taiwan and South Korea compared to prior findings by Carney and Child (2013). This transformation and unchanged pattern of ownership and control in East Asia may also affect corporate performance on society and the environment.

The remainder of the study is structured as follows. Section 4.2 reviews the prior literature and develops related hypotheses. Section 4.3 discusses the data, sample and variables. Section 4.4 provides the empirical results, robustness tests and country analysis. Finally, Section 4.5 presents the discussion and conclusion of the study.

4.2 Literature review and hypotheses development

Based on stakeholder theory, many studies indicate that firms are accountable for responding to the demands of stakeholders (Carroll, 1979; Clarkson, 1995; Wartick & Cochran, 1985; Wood, 1991). A satisfied stakeholder is one imperative factor that motivates corporations to take socially responsible actions. Despite the fact that stakeholder theory has been extensively applied in CSR research, stakeholder theory cannot resolve the conflict of interests when there are fewer resources and resource allocation issues between different stakeholders. The executive team in a firm may need to prioritise internal or external stakeholders due to the insufficient resource. This conflict becomes gradually more apparent when firm owners are involved in stakeholder management, referring to the firm controller as a key stakeholder. For instance, Cruz et al. (2014) stated that family as an internal stakeholder could have either a positive or negative

impact on CSR according to different dimensions. Neubaum and Zahra (2006) also described that institutional owners exercise power to manage decisions based on stakeholder salience theory.

Thus, it is observable that different types of corporate ownership and control may affect decisions to engage in CSR activities. Thus, the stakeholder primacy model may not be suitable to apply to all ownership types. Prior studies supported that family firms may not prioritise benefits to stakeholders, as some such firms are primarily motivated by financial gain (Dam & Scholtens, 2013; Ghoul et al., 2016; A. Kim & Lee, 2018; Rees & Rodionova, 2015). As financial resources are limited, prior studies suggest that CSR investments may increase costs, thereby reducing corporate benefits (Campbell, 2007; Crilly, 2011). Firms may prioritise their stakeholders or shareholders when controlled by family, institutional investors or government.

This thesis proposes a combined theoretical perspective on stakeholder theory, with the resource-based view and reputation perspective as complementary to develop the hypotheses. Under stakeholder theory, firms are supposed to be primarily responsible for their stakeholders with regard to social and environmental dimensions. Stakeholders have varied degrees of resources and power to influence a firm and apparent control over external resources that are important to firms from the resource-based perspective (Crilly, 2011). Yet, firms controlled by different types (family, institutional or government) may change stakeholder primacy back to shareholders' interests because they perceive resources as more important than corporate reputation. To understand which specific type renders stakeholder theory inefficient, hypotheses are developed based on family-, institution- and government-controlled firms, and their relationship with CSR.

4.2.1 Family-controlled firms and CSR

Prior discussions have demonstrated that family firms are associated with better CSR performance because families value their reputation and tend to engage in responsible initiatives (Block & Wagner, 2014; Cruz et al., 2014; Ghoul et al., 2016). A family, as the firm's controller, is expected to be responsible for the firm's reputation since their name in society is also connected to the firm (Block & Wagner, 2014; Lamb & Butler, 2018).

Berrone et al. (2010) verified that family and its members tend to preserve their socioemotional wealth, which pressures the firm to comply with social institutions. From the reputation perspective, such firms are more likely to implement CSR activities since they highly value their reputations (Brower & Mahajan, 2013; Labelle et al., 2018). Namely, a better CSR performance increases the value of intangible assets such as firm reputation (Brower & Mahajan, 2013), while a worse performance in CSR can result in reputational damage. Therefore, family decision-makers who believe that the firm also represents the family's reputation are more likely to invest in CSR initiatives.

On the contrary, family-controlled firms tend to demonstrate lower levels of CSR when there is a conflict between financial performance and investments in society and the environment (Dam & Scholtens, 2013; Ghoul et al., 2016; Kim & Lee, 2018; Rees & Rodionova, 2015). Instead of positive reputations and socioemotional wealth received from CSR, such family-controlled firms tend to pursue their self-interests for financial gain. Abeysekera and Fernando (2018) recognised that family firms prefer not to invest in the environmental dimension of CSR when the cost is high enough to negatively impact shareholders' benefits. To understand family firms' decisions on CSR issues, Ghoul et al. (2016) focused on the impact of family control over other shareholders. Shareholders with a substantial proportion of shares tend not to consider CSR-enhancing activities as beneficial based on the expropriation view, given that the costs of CSR-related activities may weaken the profitability of the firm and decrease shareholders' equity (Barnea & Rubin, 2010; Ghoul et al., 2016; Rees & Rodionova, 2015).

Correspondingly, the negative impact of family firms on CSR happens when the family control is strong enough to ignore reputational aspects and acquire benefits from self-interests. This feature is evident in countries with weaker institutional environments where it is possible to diminish the reputation incentive for better CSR (Ghoul et al., 2016). Countries and their institutions may influence decision-making and resource control toward shaping stakeholders' interests (Aguilera & Jackson, 2003; Matten & Moon, 2008). When resources are rare, family firms often prioritise shareholders' interests, shifting stakeholder primacy to a shareholder one. Furthermore, family ownership tends to lead to weaker performance in the environment and society in liberal market countries (Rees &

Rodionova, 2015), because there is a strong agency incentive for shareholders (Labelle et al., 2018).

Overall, family-controlled companies are primarily motivated by financial value and management control. Family firms may not prioritise benefiting stakeholders; further, their concerns over profitability may reduce their CSR investments. Such behaviour also suggests that the monitoring mechanism is relatively weak. In other words, families tend to have much lower levels of CSR if the board and shareholders do not efficiently monitor firms (Ghoul et al., 2016). Family-controlled firms pursue their self-interests and expropriate minority shareholders, thus having lower levels of CSR than non-family firms. This perspective shows that family-controlled firms negatively influence CSR, leading to the first hypothesis.

H1: Family-controlled firms are negatively associated with CSR

4.2.2 Firms controlled by institutional investors and CSR

Institutional investors often control large portions of the shareholdings in a firm, and their control over firms may influence CSR performance. Prior research regarding the relationship between institutional ownership and CSR found that institutional investors tend to enhance CSR (Chen et al., 2020; Dyck et al., 2019; Oh et al., 2011) because they can help monitor the managerial decisions and prevent conflicts of interest (Oh et al., 2017). Furthermore, institutional investors believe that CSR increases the firm's value, resulting in better performance for their returns. Economic incentives primarily drive institutional investors to engage in environmental and social activities (Nofsinger et al., 2019). CSR engagement could benefit financial performance by reducing costs with marginal effect (Harjoto et al., 2017), while institutional ownership is motivated to enhance CSR related to firm value (Dam & Scholtens, 2012).

Additionally, many institutional investors claim that risks, such as reputational risk, are the main drivers for adopting more stakeholder-oriented initiatives. Based on the risk mitigation perspective, institutional investors assume that these risks may be reduced by positive CSR investments, which help them gain the same return to offset the potential

costs from CSR (Graves & Waddock, 1994). Some scholars believe that institutions, such as banks and pension funds, are motivated by financial and social returns (Johnson & Greening, 1999; Lopatta, Jaeschke, Canitz et al., 2017). Adopting CSR initiatives may enhance the social reputation of both firms and institutional investors and thus, for institutional investors, they could avoid the effect of weak reputation.

Firms with institutional ownership face both internal and external pressures. Institutional owners might support CSR proposals to fulfil their fiduciary responsibilities (Harjoto et al., 2017). Nofsinger et al. (2019) suggested that individual investors prefer CSR as an investment strategy and often pressure their asset managers to become more involved with responsible investing. Such institutions monitor the firm for active engagement in responsible initiatives and consider that greater levels of CSR may enhance the firm's value (H. D. Kim et al., 2019; Lopatta, Jaeschke, & Chen, 2017). Campbell (2007) also posits that institutional investors tend to monitor the firm like the media and press might, encouraging responsible behaviour.

Institutional investors may use their shareholding rights to support or reject the proposals of executives. For example, when institutional owners engage in activism, their demands on executives are more salient, and they often give more support to CSR engagements; hence, the level of CSR increases (Neubaum & Zahra, 2006). This can be seen in institutions that hire managers to help make significant strategic decisions. Then, on behalf of the institutional investors, the manager may exercise the actual power of representation. From a reputational view, institutional ownership and its representatives care about positive name recognition, as they may have different corporations to supervise or manage. Pursuing a better reputation may induce more engagements in CSR, which eventually mitigates the concerns over profit decreasing. This view leads to the second hypothesis:

H2: Firms controlled by institutional investors are positively associated with CSR.

4.2.3 Government-controlled firms and CSR

Prior studies have examined government ownership from three main perspectives, namely CSR activities, disclosure and performance. Corporations with a large proportion of

government shareholders are neutrally related to corporate social involvements (Dam & Scholtens, 2012) and disclose better CSR-related information than firms with fewer non-government shareholders (Ghazali, 2007). Additionally, corporations with more political interference and less non-governmental influence perform better in terms of CSR scores (W. Li & Zhang, 2010).

The literature positing that government ownership positively impacts CSR argues that the government supports a stable society (Lopatta, Jaeschke, & Chen, 2017). To form a better society, government-controlled firms can pressure management to disclose their CSR activities (Ghazali, 2007) and invest in related activities. In contrast, few studies suggest that there would be a negative relationship between government ownership and CSR. Some researchers show that government ownership may lead to poor stakeholder management and negatively impact CSR (Li & Zhang, 2010). Each government has its own political goals; thus, CSR investment may conflict with value maximisation (Dam & Scholtens, 2012).

The relationship between CSR and government-controlled firms is not just at the firm level but concerns to what extent government and public policy influence CSR accordingly. CSR represents the firm's policy compliance as led by the government. Namely, government policies affect corporate behaviour on implicit CSR (Knudsen & Moon, 2021; Matten & Moon, 2008). However, Knudsen and Moon (2021) mentioned that the interaction between CSR and the government might be negligible if the government is unstable and non-democratic. This also affects government-controlled firms; for instance, state-owned firms have less CSR activities particularly in China (Li & Zhang, 2010). Thus, it is essential to consider the differences between governments in this regard. Carney and Child (2013) acknowledged that firms in Hong Kong, Malaysia and Thailand are dominated more by governmental ownership than ever before, while firms in the Philippines have shifted toward family control. This transformation indicates that firms in East Asia are seeing changes in ownership and control, which also affect their performance (Globerman et al., 2011).

Under stakeholder theory and the reputation perspective, government-controlled firms are likely to protect their reputation from irresponsible activities as governments prioritise

stakeholders (Calza et al., 2016) while stakeholder management helps the government to do better for society and the environment. Furthermore, the institutional-level influence on government ownership is apparent since the priority of protecting regulations may affect how corporations react to the demands from stakeholders. In other words, the country with stringent regulations pressures firms to perform better on CSR. From the political view of government ownership, politicians usually have different goals for maximising profit; for instance, they may control the firm to maintain support from voters (Boubakri et al., 2018). As governments tend to seek political victories, government ownership tends to have a positive effect on CSR in order to increase their prestige among members of the general public.

H3: Government-controlled firms are positively associated with CSR.

4.3 Sample, variables and models

4.3.1 Sample and data collection

The sample was taken from companies from nine countries in East Asia (Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand) from 2010 to 2019, containing publicly traded companies in the stock market based on their country of domicile. As a result of less available CSR data during the early years of sample period, the final sample represents 1,236 unique firms and a total number of 6,952 observations. Table 4.1 summarises the sample composition by country and industry. The industry classification was based on the Industry Classification Benchmark (ICB) code used in the FTSE international stock market.

Several sources are used to collect data for this thesis. CSR performance data were obtained from Refinitiv ESG scores (formerly known as ASSET4) using relatively accessible information to analyse and compare different corporations to help investors evaluate actual performance for each sphere. Other financial and non-financial data as control variables were collected from Bloomberg and Refinitiv (former Datastream) databases. The data of family, institutional and government ownership and control were mainly obtained from

annual and financial reports. Then the data were reviewed and the ultimate control type was identified manually following the data construction method from Carney and Child (2013).

Other data sources are also considered to be valuable, such as company websites and local news. According to prior research findings (Carney & Child, 2013; Claessens et al., 2000), there are some companies whose largest owners use nominee accounts and holding companies to control the board. This phenomenon occurs because some corporate insiders use a private firm instead of becoming individual shareholders to own an interest in a public company. As the regulation of such disclosure is different by country, it is sometimes difficult to trace the ultimate owner using the same method. For example, firms listed in Singapore should disclose substantial details of shareholders' direct and indirect interests, while Japanese companies disclose shareholder information using nominee accounts, leading to ambiguous understanding of ultimate control. Such cases usually happen in family or individual controlled firms, which help controllers to hide their names. Therefore, if the corporation is held by another corporation, holding companies or nominee accounts whose owner cannot be identified, the ownership type will be classified as unknown and excluded in the sample. For instance, TPI Polene Power (BKK: TPIPP) is held by TPI Polene Public Company Limited, so the ultimate owner cannot be traced any further.

Table 4.1 Sample distribution

	Obs.
Full sample	6,952
Across countries	
Hong Kong	725
Indonesia	260
Japan	3,209
Malaysia	374
Philippines	192
Singapore	293
South Korea	670
Taiwan	921
Thailand	308
Across industries	
Automobiles and Parts	333
Banks	534
Basic Resources	301
Chemical	392
Construction and Materials	331
Consumer Products and Services	323
Energy	210
Financial Services	161
Food, Beverage and Tobacco	432
Health Care	271
Insurance	117
Industrial Goods and Services	1,178
Media	60
Personal Care, Drug and Grocery Stores	79
Real Estate	419
Retail	212
Technology	775
Telecommunications	252
Travel and Leisure	178
Utilities	339
Other	55
Across years	
2010	521
2011	571
2012	600
2013	629
2014	659
2015	708
2016	750
2017	798
2018	822
2019	894

4.3.2 Variables

Dependent variable: CSR performance

CSR performance is measured by an equal-weight method which calculates the environmental and social score combination verified by prior studies (Dyck et al., 2019; Ghoul et al., 2016; Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012). Some studies combine environment and social (E&S) dimensions into a single index but note that the weights of different dimensions in the aggregation may affect the new score (Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012). Therefore, it is appropriate to assume the equal importance of each pillar to formulate the environmental and social score. Following Ioannou and Serafeim (2012) and Ghoul et al. (2016) along with the database calculation methodology, the variable CSR performance will be assessed as the average of environmental and social scores for every fiscal year in the sample.

Many studies have already examined environmental and social score using the ASSET4 dataset (Adegbite et al., 2019; Dyck et al., 2019; Ghoul et al., 2016; Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012; Liang & Renneboog, 2017; Rees & Rodionova, 2015). The score also contains firms' transparency and CSR effectiveness collected from public information, including annual reports, company websites and news sources. The environmental and social score data provide a multidimensional evaluation of 186 metrics for the environmental, social and governance pillars. Resources used, emissions and innovation comprise the environmental pillar score, while workforce, human rights, community responsibility and product responsibility comprise the social pillar. According to the methodology, each pillar score is calculated as the relative sum of the category weights, which vary per industry for the environmental and social categories.

Family-controlled firms

The study defines and collects independent variables related to types of ownership and control, drawing on prior finance research (Carney & Child, 2013; Claessens et al., 2000). Firms where the family is the controller are indeed recognised as family firms. Following the method of Carney and Child (2013), the apparent controller should have at least 10%

of the shareholding either directly or indirectly. As the name of the shareholder is required for classifying the controller, we manually collected the shareholder information from annual reports and company websites. Additionally, to clarify the controller, at least one family member needs to be selected as top management or director (Cascino et al., 2010; Cruz et al., 2014; Lamb & Butler, 2018; Madden et al., 2020). Unlike some prior studies that defined whether a firm is family-controlled by calculating only family ownership in excess of 5% (Peng & Jiang, 2010), 10% (Ghoul et al., 2016) or 50% of a firm's equity (Lopatta, Jaeschke, & Chen, 2017), La Porta et al. (1999) calculate 10% direct and indirect voting rights as the threshold to identify the ultimate controller of the votes. In other words, firms where shareholdings of family members whether individuals or corporations are greater than 10% were considered as family owned. Taking some family firms as examples, Great Eagle Holdings holds a major position in Champion REIT (HK:2778) and is controlled by Lo Ka Shui, who is also chairman of Champion REIT; therefore, it is considered family owned. Similarly, Nippon TV Holdings (TYO: 9404) is majority held by Yomiuri Shimbun Holdings, whose substantial shareholders are the Shyouriki family.

Government-controlled firms

After the previous process of family control, if a firm is not controlled by a family, the second step is essential to identify whether it is state-owned. Most of the shareholder list disclose government holdings directly, except Temasek Holdings, a private company owned by the Singapore government (the latter of which controls many holding companies). CLA Real Estate Holdings is one example of Temasek's holding companies, which has substantial shareholdings of CapitaLand (SG:C31). Here, using the 10% rules may not be effective to identify whether a firm is controlled by the government or not because many governments hold shares in public companies, especially the Korean government. For instance, National Pension Service and Korea Development Bank usually hold 20% of corporate shareholding. To identify whether a firm is controlled by a government in the case of firms with family ownership, data of state-owned enterprises from Refinitiv are also applied for complementing the information provided in corporate annual reports and websites.

Firms controlled by institutional investors

There is a gap between potential and actual power exercised by institutional owners. The institutional investors may not own or manage the company, as shareholdings may be insufficient to influence decision-making. Moreover, it is important to know to what extent institutional ownership becomes influential. To resolve this problem, this paper applies institutional control to different legal frameworks and economic development. In East Asia, many countries have underdeveloped or incomplete shareholder regulations, leading to non-transparent information.

According to Carney and Child's research (2013), Japan, Singapore and the Philippines have more than one-third to two-thirds of firms where the nominee or trust accounts exceed 10% of shareholdings. However, when analysing the details from annual reports and security regulations, it is noticeable that only Japanese firms with these two accounts belong to institutional investors. Carney and Child (2013) use widely held corporations and widely held financial institutions instead of opting for institutional ownership. However, sometimes there are errors of miscategorising, where a private company is assumed to be an institutional investor. This occurs when the name of the private company includes 'investment' or 'asset management' to manipulate readers. These corporate names are translated from the original language, when in fact they are actually individual-owned or holding companies. Thus, differentiating the ultimate controller manually could help to improve misleading information.

To recognise a firm as institutional investor controlled, the method also follows the 10% rules set by Carney and Child (2013). Their research does not specify institutional investors and instead uses widely held corporations and widely held financial institutions. Three conditions are set as follows: either the sum of non-institutional investors is less than 10% or none of the shareholders owns over 10%, with most of them being institutional investors in the ten largest shareholders list. Namely, institutional control is taken when institutional investors represent major shareholders and there is no apparent other control. Taking Japan as an example, regarding the discussion in the literature review, institutional investors use trust accounts to become significant shareholders. Most of these trust accounts are from Japan Trustee Services Bank Ltd and Master Trust Bank of Japan Ltd, banks specifically designed for asset management. In other words, many Japanese companies are widely held

by different institutional investors, which is similar to the category of widely held financial institutions by Carney and Child (2013).

Control variables

Several control variables are included in the research to control for potential influences on the result. To control for the institutional investor's positive influence in family- and government-controlled firms, institutional ownership percentage is applied in the regression model. Many relevant studies (Graves & Waddock, 1994; Neubaum & Zahra, 2006) control firm size as an interdependent factor since large companies tend to devote more resources to CSR, whereas medium-sized firms are the least interested in CSR activities (Udayasankar, 2008). Furthermore, firm size is also an important factor for accessing financial resources and thus firms' CSR decision making. Financial performance may also be affected by firm size and thus associated with CSR performance. Previous studies (Adegbite et al., 2019; Chen et al., 2020) calculate firm size by the logarithm of total assets. Second, firms use leverage to finance their assets, which relates to their risk level concerning bankruptcy. As a control variable, leverage is defined here as debt to equity. Where this ratio is high, companies face the challenge of allocating their limited profits and reducing their resource allocation to CSR (Graves & Waddock, 1994; Neubaum & Zahra, 2006). Return on assets (ROA) is a proxy of firm accounting performance, while market-to-book ratio (MTB) is an indicator of firm performance from the market side.

In addition, to robustly control for the influence of financial resource allocation, this study adds the KZ index in the model. It is believed that lower financial constraints would result in better CSR performance and vice versa (Cheng et al., 2014). The KZ index was constructed as a linear combination of five accounting ratios, including cash flow to total capital, the market to book ratio, debt to total capital, dividends to total capital, and cash holdings to capital by Kaplan and Zingales (1997). When the KZ index is higher, more constraints are applied on a firm. Based on Lamont, Polk and Saa-Requejo's description (2001), below shows the calculation of the KZ index following Cheng et al. (2014) and García-Sánchez et al. (2021):

$$KZ\ index = -1.001909 \times CF_{it} / A_{it-1} - 39.3678 \times DIV_{it} / A_{it-1} - 1.314759 \times Cash_{it} / A_{it-1} + 3.139193 \times Debt/\ Total\ Capital_{it} + 0.2826389 \times Q_{it},$$

where CF_{it} / A_{it-1} is cash flow over lagged assets; DIV_{it} / A_{it-1} is cash dividends over lagged assets; $Cash_{it} / A_{it-1}$ is cash balances over assets; $Debt/\ Total\ Capital_{it}$ is total debts over total capital; and Q_{it}, is the market value of equity.

Moreover, board composition and its effectiveness are also related to ownership type. Therefore, board size, CEO duality and women on the board are considered as control variables as these factors may also affect CSR (Byron & Post, 2016; Ghoul et al., 2016; Lopatta, Jaeschke, Canitz, et al., 2017). The CSR committee is also a possible factor whereby the firm decides strategies on CSR activities. Detailed definitions of all variables and data sources are summarised in Table 4.2 below.

Table 4.2 Definitions of variables

Variable	Definition	Source	References
Environmental pillar score (E)	The relative sum of the category (Emissions, Resource use, Innovation) weights.	Refinitiv (ASSET4) ESG score	Adegbite et al. (2019); Dyck et al. (2018); Ghoul et al. (2016); Graafland & Noorderhaven (2020); Ioannou & Serafeim (2012); Liang & Renneboog (2017); Rees & Rodionova (2015)
Social pillar score (S)	The relative sum of the category (Community, Human rights, Product responsibility, Workforce) weights.		
Aggregated E&S score (CSR)	Equally weighted environment and social pillar score.		
Family	Define family=1, when a firm's ultimate controller is an individual family or group of families.	Annual reports, company websites and news	Carney & Child (2013); Ghoul et al. (2016)
Government	Define government=1, when a firm's ultimate controller is a government.	Annual reports, Bloomberg, company websites and news	Carney & Child (2013); Dam & Sholtens (2012); Ghazali (2007)
Institutional	Define institutional=1, when there is no apparent family or government controller and most of the 10 largest shareholders are holdings from financial institutions.	Annual reports, Bloomberg and stock exchange websites	Carney & Child (2013); Dam & Sholtens (2012); Walls, Berrone & Phan (2012)
Firm size	Logarithm of total assets.	Refinitiv	Adegbite et al. (2019); Chen et al. (2020); Graves & Waddock, (1994); Neubaum & Zahra (2006)
Leverage	Total debt/total equity.	Bloomberg	Chen et al. (2020); Dam & Scholtens (2013); Ghoul, Guedhami, Wang & Kwok (2016); Lopatta, Jaeschke & Chen (2017); Madden, McMillan & Harris (2020); Oh, Cha & Chang (2017); Rees & Rodionova (2015)
ROA	Return on assets.	Bloomberg	Cai, Pan & Statman (2016); Ghoul et al. (2016); Ioannou & Serafeim (2012)
MTB	Market (price) to book ratio.	Bloomberg	Cai, Pan & Statman (2016); Ghoul et al. (2016); Rees & Rodionova (2015)
KZ index	Index developed by Kaplan and Zingales (1997)	Data from Refinitiv and	Cheng et al. (2014); García-Sánchez et al. (2021)

		calculated by the author	
Board size	The number of directors on the board.	Refinitiv	Ghoul et al. (2016); Oh, Cha & Chang (2017)
CEO duality	Whether the CEO and chairman positions are separated or not.	Refinitiv	Barnea & Rubin (2010); Chiu & Huang (2019); Lopatta et al. (2017)
Women on board	Percentage of women on the board of directors, as reported by the company.	Bloomberg	Byron & Post (2016)
CSR committee	Define CSR committee=1 when there is the CSR committee in a firm.	Bloomberg	

4.3.3 Models

To examine the relationship between firm-level explained variables and explanatory variables, ordinary least squares (OLS) regression models are therefore applied to estimate the main results. As family, government or institutional firms are dummies, Model 1, Model 2 and Model 3 are conducted respectively. Other firm control variables include firm size, leverage ratio, return on assets (ROA), market-to-book ratio (MTB), board size, women on board, CSR committee existence and whether the same person holds the position of CEO and chairman at the same time (CEO duality).

As there are missing data in some years (i.e. some firms in the sample only have data in some years), the model uses a pooled cross-section and time series dataset instead of panel-data analysis. Hausman tests reject the null hypothesis of firm random effects for three models ($p<0.05$). Since the industry, country and time specific factors may affect CSR performance, the main models control for industry fixed effects, country fixed effects and year fixed effects by applying industry dummies, country dummies and year dummies. Using these effects in the pooled OLS estimation could help to remove time variations and improve the robustness of the model.

$$\text{Model 1: } CSR_{it} = \beta_0 + \beta_1 Family_{it} + \beta_2 InstitOwnPct_{it} + \beta_3 Size_{it} + \beta_4 Leverage_{it} + \beta_5 ROA_{it} + \beta_6 MTB_{it} + \beta_7 Board\ size_{it} + \beta_8 CEOduality_{it} +$$

$\beta_9 Women\ on\ Board_{it} + \beta_{10} CSR\ committee_{it} + \beta_{11} Industry_{it} + \beta_{12} Country_{it} + \beta_{13} Year + \varepsilon_{it}$ [1]

Model 2: $CSR_{it} = \beta_0 + \beta_1 Institutional_{it} + \beta_2 InstitOwnPct_{it} + \beta_3 Size_{it} + \beta_4 Leverage_{it} + \beta_5 ROA_{it} + \beta_6 MTB_{it} + \beta_7 Board\ size_{it} + \beta_8 CEOduality_{it} + \beta_9 Women\ on\ Board_{it} + \beta_{10} CSR\ committee_{it} + \beta_{11} Industry_{it} + \beta_{12} Country_{it} + \beta_{13} Year + \varepsilon_{it}$ [2]

Model 3: $CSR_{it} = \beta_0 + \beta_1 Government_{it} + \beta_2 InstitOwnPct_{it} + \beta_3 Size_{it} + \beta_4 Leverage_{it} + \beta_5 ROA_{it} + \beta_6 MTB_{it} + \beta_7 Board\ size_{it} + \beta_8 CEOduality_{it} + \beta_9 Women\ on\ Board_{it} + \beta_{10} CSR\ committee_{it} + \beta_{11} Industry_{it} + \beta_{12} Country_{it} + \beta_{13} Year + \varepsilon_{it}$ [3]

4.4 Results

4.4.1 Descriptive statistics

From the discussion of variable definition in section 4.3.2, family, government and institutional firms' data are summarised in Table 4.3. The summary shows observations and percentage by country and by type during the sample period. Overall, family firms represent almost 36.9% of observations, while government and institutional controlled firms account for approximately 14.7% and 48.4% respectively. It is observable that family firms are dominant (nearly 50% or more) in most countries except in Japan, where only 11.5% of observations are family firms. The result is a bit different from the prior research (Ghoul et al., 2016) demonstrated that there were fewer family firms in each country. Besides, among the nine countries, Hong Kong, Indonesia, Malaysia and Thailand have similar patterns in that there are only around 10% of firms controlled by institutional investors, in contrast to Japan, where institutionally controlled firms represent more than 85%.

Table 4.3 Ownership profile summary

Country	Family Obs	Institutional Obs	Government Obs	Total
Hong Kong	386	78	261	725
Indonesia	125	26	109	260
Japan	372	2777	60	3,209
Malaysia	184	37	153	374
Philippines	182	0	10	192
Singapore	126	15	152	293
South Korea	507	106	57	670
Taiwan	550	283	88	921
Thailand	140	32	136	308
Total	2572 (36.93%)	3354 (48.38%)	1026 (14.69%)	6,952 (100%)

Table 4.4 provides the descriptive statistics for all dependent, explanatory and control variables from the sample with available data. The dataset is an unbalanced panel since observations are different based on data availability. CSR, environmental and social variables are scores measured by ASSET4 and calculated between 0% to 100%. The CSR performance score varies widely between 0.0026 to 0.9455, with a mean value of 0.46 and a standard deviation of 0.226. Compared to social performance, the average environmental score is higher (0.47) with a relatively large standard deviation (0.26), which accounts for the rather dispersed data.

Explanatory variables are set as dummy variables where family, government and institutional type are considered as 1. Noticeably, institutional ownership percentage is also included to control for the model. The mean of CEO duality indicates that 32% of firms have the same person in the position of CEO and chairman. The proportion of women on the board is low, with only 6.65% on average. Additionally, only 16% of firms have a CSR committee on their board.

Table 4.4 Descriptive statistics

Variable		Mean	SD	Min	Max
Dependent variables					
1.	CSR	0.458	0.226	0.003	0.946
2.	Environmental (E)	0.471	0.261	0.001	0.984
3.	Social (S)	0.446	0.236	0.002	0.973
Explanatory variables					
4.	Family	0.37	0.483	0	1
5.	Government (gov)	0.148	0.354	0	1
6.	Institutional (instit)	0.482	0.500	0	1
Controls					
7.	Institownpct	0.464	0.215	0	1.179
8.	Size	8.792	1.050	5.67	12.15
9.	Leverage (Lev)	0.838	1.525	0	72.092
10.	ROA	0.046	0.058	-0.652	0.779
11.	MTB	0.022	0.058	0.001	2.206
12.	KZ index (KZ)	0.546	2.009	-18.668	73.21
13.	Board size	11.296	3.792	1	39
14.	CEO duality	0.327	0.469	0	1
15.	Women on board (WOB)	6.658	9.337	0	71
16.	CSR committee (CSR cmte)	0.159	0.365	0	1

Note: This table reports a total of 6,952 observations after the deduction of missing value observations.

4.4.2 Correlation matrix

The correlation matrix among all variables is provided in Table 4.5. The Pearson correlation is applied since the data is ratio-scaled and expected to exhibit a linear relationship, following a normal distribution. As CSR is calculated from the average of the environment score and social score, they are highly correlated. The correlation coefficient between family and CSR is negative, while the one between either government or institution and CSR is positive. This evidence is initially consistent with prior findings. Additionally, financial information such as firm size and leverage ratio significantly correlate with CSR. According to the table, it is evident that none of the variables are highly correlated with each other, which may cause collinearity issues in the following regression results.

Table 4.5 Correlation matrix

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.	**CSR**	1															
2.	**E**	0.918***	1														
3.	**S**	0.899***	0.652***	1													
4.	**Family**	-0.116***	-0.156***	-0.050***	1												
5.	**Gov**	0.036***	-0.052***	0.125***	-0.318***	1											
6.	**Instit**	0.087***	0.187***	-0.040***	-0.741***	-0.402***	1										
7.	**Institownpct**	0.141***	0.095***	0.165***	-0.280***	0.270***	0.079***	1									
8.	**Size**	0.270***	0.253***	0.237***	-0.128***	-0.095***	0.191***	-0.019	1								
9.	**Lev**	0.017	0.006	0.026**	-0.062***	0.055***	0.021*	-0.014	0.134***	1							
10.	**ROA**	-0.023**	-0.070***	0.032***	0.127***	-0.003	-0.120***	0.044***	-0.209***	-0.216***	1						
11.	**MTB**	0.021*	-0.019	0.061***	0.022*	0.022*	-0.037***	0.028**	-0.149***	0.368***	0.390***	1					
12.	**KZ**	0.040***	0.053***	0.018	-0.064***	0.011	0.054***	0.001	0.219***	0.371***	-0.336***	0.180***	1				
13.	**Board size**	0.073***	0.116***	0.013	-0.222***	0.063***	0.170***	0.031***	0.108***	0.101***	-0.159***	-0.073***	0.126***	1			
14.	**CEO dual**	0.018	0.052***	-0.022*	0.021*	-0.174***	0.103***	-0.109***	0.037***	0.012	-0.042***	-0.039***	0.028**	-0.025**	1		
15.	**WOB**	0.038***	-0.054***	0.133***	0.085***	0.167***	-0.200***	0.046***	-0.233***	0.009	0.080***	0.075***	-0.064***	-0.011	-0.093***	1	
16.	**CSR cmte**	0.202***	0.135***	0.237***	0.092***	0.050***	-0.125***	-0.027**	-0.110***	0.006	0.051***	0.012	-0.068***	0.026**	-0.093***	0.136***	1

**** p<0.01, ** p<0.05, * p<0.1*

4.4.3 Empirical results

Based on the model specification introduced in the previous section, three OLS regression analyses are applied separately and the initial results are presented in Table 4.6. Hypotheses results are presented in Table 4.7. In addition to the main outcome of CSR, environmental and social scores are also examined as dependent variables for a more comprehensive analysis. Overall, the relationships between explanatory variables and dependent variables are statistically significant at the 0.1% level in all models, no matter which dependent variable is, except for an insignificant coefficient of government on environmental performance in Model 3.

Table 4.6 Main results of family-, institutional- and government-control and CSR

	Model 1			Model 2			Model 3		
Dependent variables	CSR	E[2]	S[3]	CSR	E	S	CSR	E	S
Family	-0.0584***	-0.0556***	-0.0613***						
	(-9.73)	(-7.87)	(-9.89)						
Instit				0.113***	0.0728***	0.0544***			
				(9.47)	(9.08)	(7.71)			
Gov							0.0158**	-0.00144	0.0330***
							(1.99)	(-0.15)	(4.03)
Institownpct	0.0923***	0.0743***	0.110***	0.0636***	0.0919***	0.134***	0.119***	0.105***	0.132***
	(7.49)	(5.12)	(8.68)	(9.31)	(6.55)	(10.88)	(9.62)	(7.28)	(10.38)
Size	0.189***	0.201***	0.178***	0.192***	0.204***	0.180***	0.191***	0.203***	0.178***
	(35.46)	(32.01)	(32.25)	(35.88)	(32.44)	(32.60)	(35.43)	(32.13)	(32.16)
Lev	-0.0133***	-0.0144***	-0.0122***	-0.0133***	-0.0144***	-0.0122***	-0.0134***	-0.0145***	-0.0123***
	(-6.90)	(-6.35)	(-6.14)	(-6.91)	(-6.37)	(-6.14)	(-6.91)	(-6.37)	(-6.15)
ROA	-0.0951*	-0.171***	-0.0188	-0.116**	-0.193***	-0.0398	-0.104**	-0.186***	-0.0226
	(-1.87)	(-2.87)	(-0.36)	(-2.29)	(-3.23)	(-0.76)	(-2.04)	(-3.10)	(-0.43)
MTB	0.575***	0.625***	0.526***	0.560***	0.602***	0.519***	0.610***	0.655***	0.566***
	(10.58)	(9.76)	(9.37)	(10.27)	(9.39)	(9.21)	(11.16)	(10.20)	(10.03)
KZ	-0.00396***	-0.00459***	-0.00333**	-0.00385***	-0.00435***	-0.00334**	-0.00453***	-0.00512***	-0.00395***
	(-2.95)	(-2.91)	(-2.41)	(-2.87)	(-2.76)	(-2.41)	(-3.36)	(-3.23)	(-2.84)
Board size	-0.000795	-0.000526	-0.00106	-0.000484	-0.000278	-0.000690	-0.000325	0.0000148	-0.000664
	(-1.15)	(-0.64)	(-1.49)	(-0.70)	(-0.34)	(-0.97)	(-0.47)	(0.02)	(-0.92)
CEO dual	0.0256***	0.0260***	0.0253***	0.0215***	0.0214***	0.0216***	0.0258***	0.0251***	0.0266***
	(4.98)	(4.29)	(4.76)	(4.16)	(3.53)	(4.05)	(4.96)	(4.11)	(4.95)
WOB	0.000723***	0.000261	0.00119***	0.000779***	0.000306	0.00125***	0.000803***	0.000353	0.00125***
	(2.59)	(0.79)	(4.12)	(2.79)	(0.93)	(4.34)	(2.86)	(1.07)	(4.33)
CSR cmte	0.101***	0.0982***	0.105***	0.0998***	0.0965***	0.103***	0.101***	0.0973***	0.105***
	(14.94)	(12.30)	(14.95)	(14.70)	(12.11)	(14.69)	(14.76)	(12.12)	(14.84)
Year	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y	Y
Country	Y	Y	Y	Y	Y	Y	Y	Y	Y
Constant	-1.201***	-1.331***	-1.070***	-1.270***	-1.393***	-1.146***	-1.286***	-1.416***	-1.156***
	(-24.93)	(-23.49)	(-21.55)	(-26.80)	(-25.04)	(-23.42)	(-27.00)	(-25.31)	(-23.56)
Adj. R Square	0.325	0.298	0.346	0.325	0.300	0.342	0.317	0.292	0.338

N=6,952, *** *p<0.01,* ** *p<0.05,* * *p<0.1*

[2] E: Environmental pillar sore
[3] S: Social pillar score

Table 4.7 Hypotheses results

Hypotheses	Independent variable	β value	p Values	Results
H1	Family	-0.0584	<0.01	Confirmed
H2	Institutional	0.113	<0.01	Confirmed
H3	Government	0.0158	<0.05	Confirmed

The relationship between family firms and CSR is expected to be negative as described in H1. The estimated coefficient of family-controlled firms for CSR is -0.0584 with strong significance ($p<0.01$). As the mean of CSR is 0.46, it should be noted that family control could lower CSR performance 14.4% (0.46 to 0.402). This finding is similar to Ghoul et al. (2016), who demonstrate a 16.6% lower performance of family firms in East Asia. In addition, a firm considered as controlled by a family also has economically significant coefficients, -0.0556 and -0.0613, on environmental score and social score, respectively. Thus far, the result of Model 1 supports H1 that family firms are negatively associated with CSR performance. In accordance with the view of self-interests, family firms have lower levels of CSR since they are financially motivated and focus on their own interests rather than stakeholders' interests. The result presents a shift from stakeholder to shareholder primacy, which is also consistent with Abeysekera and Fernando (2018) that family firms consider that investments benefit shareholders rather than society, especially with decisions related to the environment.

Secondly, our second hypothesis expects that institutional firms should have a positive influence on CSR. In terms of statistical significance, institutionally owned firms have a strong and positive relationship with the CSR ($\beta = 0.113$), environmental ($\beta = 0.0728$) and social scores ($\beta = 0.0544$). These results indicate that while firms are controlled by institutional investors, they are associated with a 19.7% (0.46 to 0.573) higher CSR performance. Therefore, this positive influence on CSR confirms H2, which is comparable with the finding of Chen et al. (2020) that an increase in institutional ownership will result in a CSR rating increase. As institutional investors exercise their corporate control power over corporate executives, more CSR decisions are applied to corporate strategy (Neubaum & Zahra, 2006). To receive a complimentary reputation, institutional investors believe CSR creates long-term value to all stakeholders (Kim et al., 2019). The higher estimated coefficient on environmental rather than social scores is also consistent with Dyck et al.

(2018) who found a higher increase in environmental performance while institutional ownership increases.

Thirdly, similar to institutional investors, government-controlled firms are predicted to positively influence CSR performance. From the empirical result, the association between government-controlled firms and CSR is significantly positive ($\beta = 0.0158$, $p<0.05$), which is consistent with H3. The result implies that firms with government-controlling ownership have a 3.3% higher CSR performance (0.46 to 0.4758), which is relatively slight increase. Lopatta, Jaeschke & Chen (2017) also found similar results, that if firms have government-controlling ownership, the CSR performance would increase. In addition, government control is significantly related to social performance and environmental performance. The positive association indicates that when a government is involved in corporate activities, it as a controlling shareholder receives incentives from reputation and better society. Governments involved in society-related activities such as participation in social partnerships are rather considered to be active shareholders (Frynas & Stephens, 2015).

The estimation results of the control variables in the three models show that firm size, women on board and CSR committee existence are significantly and positively related to CSR, which is consistent with prior studies (Barnea & Rubin, 2010; Cai et al., 2016; Chen et al., 2020; Ghoul et al., 2016). It is interesting that leverage and ROA have the reverse result, that leverage and ROA show a negative and significant association. In similar CSR studies, many scholars (Cai et al., 2016; Labelle et al., 2018; Rees & Rodionova, 2015) supported the idea that leverage is positively related to CSR, but Dam and Scholtens (2012) and Ghoul et al. (2016) did not find any significant relationship between leverage and CSR performance. In contrast to Rees and Rodionova (2015)'s finding of a negative coefficient of MTB, Table 4.6 provides positive results. Some evidence shows that MTB is insignificantly related with CSR (Cai et al., 2016; Ghoul et al., 2016). Meanwhile, the KZ index has the same expected relationship with CSR performance as per Cheng et al. (2014).

In general, from the main results, two aspects regarding ownership and CSR are therefore generated. First, when firms are family-controlled, they have a lower performance on the environment and society. Family firms pursue their own interests driven by financial purpose instead of stakeholders' interests (Labelle et al., 2018). Second, companies that

are controlled by institutional investors or the government show an increase in CSR. The result implies that institutional investors as the main controller in firms are assumed to take CSR seriously in order to reduce both financial and reputation risks (Graves & Waddock, 1994; Nofsinger et al., 2019). The relationship between government-controlled firms and society also supports the assumption of influence from political interference (Li & Zhang, 2010).

4.4.4 Robustness test and Endogeneity issues

The main results from the OLS regressions demonstrate that family firms have a negative impact on CSR while the reverse effect can be seen with the two other firms. However, this influence may be incorrect estimates when violating the zero-condition mean assumption (Baum, 2006). Potential endogeneity issues such as omitted-variable bias, sample selection bias and the direction of causality are problematic since the sample requires that both CSR and control variables are available, while the model may not include all correlated variables. Thus, three different approaches are introduced in order to mitigate such concerns: lagged independent variables, instrumental variables (IV) and two-stage least squares (2SLS), and propensity score matching (PSM) tests.

Lagged measure

The relationship between ownership and CSR performance may encounter a timing effect and cause reverse causality. Some prior studies (Dam & Scholtens, 2012; Jo & Harjoto, 2012) use the lagged measure of environmental and social scores to reduce such potential problems in their research. Specifically, current ownership types may influence the following year's CSR performance. The lagged measure of performance score is thus helpful for mitigating this concern. As shown in Table 4.8, it is found that the results are consistent with the main results in Table 4.7, namely that family, institutional and government firms are still significantly related to CSR, with negative, positive and insignificant estimated coefficients respectively. It is therefore suggested that the issue of the direction of causality is not evident in the relationship between different types of firms and CSR.

Table 4.8 Lagged CSR and PSM approach

	Lagged			PSM		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Family	-0.0577***			-0.0647***		
	(-8.90)			(-6.11)		
Institutional		0.112***			0.0582***	
		(8.67)			(8.14)	
Government			0.0116			0.0559*
			(1.36)			(1.65)
Institownpct	0.0904***	0.0655***	0.119***	0.102***	0.112***	0.0263
	(6.77)	(8.91)	(8.89)	(5.55)	(8.80)	(1.03)
Size	0.187***	0.190***	0.189***	0.170***	0.196***	0.165***
	(32.46)	(32.86)	(32.48)	(21.10)	(34.83)	(11.77)
Leverage	-0.0121***	-0.0121***	-0.0123***	-0.0155***	-0.0129***	-0.0131***
	(-6.02)	(-6.01)	(-6.09)	(-5.38)	(-6.32)	(-3.09)
ROA	-0.0998*	-0.122**	-0.113**	-0.170**	-0.141**	0.267**
	(-1.84)	(-2.25)	(-2.07)	(-2.36)	(-2.34)	(2.00)
MTB	0.544***	0.525***	0.580***	0.651***	0.628***	0.351***
	(9.53)	(9.16)	(10.11)	(5.48)	(9.77)	(3.67)
KZ	-0.00453***	-0.00436***	-0.00502***	-0.00226	-0.00634***	0.00148
	(-3.23)	(-3.11)	(-3.56)	(-1.22)	(-3.65)	(0.58)
Board size	-0.000783	-0.000483	-0.000302	-0.00176	-0.000497	0.000965
	(-1.05)	(-0.65)	(-0.40)	(-1.55)	(-0.67)	(0.53)
CEO duality	0.0279***	0.0237***	0.0279***	0.0180**	0.0248***	0.0357**
	(5.04)	(4.27)	(4.98)	(2.36)	(4.61)	(2.30)
Women on board	0.000645**	0.000708**	0.000742**	-0.000138	0.000588*	0.00159***
	(2.16)	(2.37)	(2.47)	(-0.36)	(1.83)	(2.79)
CSR committee	0.0946***	0.0925***	0.0938***	0.0982***	0.0998***	0.0518***
	(13.26)	(12.98)	(13.07)	(10.27)	(13.96)	(3.50)
Year	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y
Country	Y	Y	Y	Y	Y	Y
Constant	-1.215***	-1.284***	-1.302***	-1.071***	-1.282***	-1.011***
	(-23.46)	(-25.23)	(-25.45)	(-15.24)	(-25.19)	(-8.94)
N	6127	6127	6127	3336	6464	1060
Adj. R square	0.315	0.315	0.306	0.328	0.320	0.459

**** p<0.01, ** p<0.05, * p<0.1*

PSM

Although Model 1 to Model 3 use year, industry and country effects to mitigate potential heterogeneity problems, there are still some concerns over regressions with functional form misspecification. The PSM approach is helpful for reducing such concerns which can cause bias in estimators (Shipman et al., 2017). PSM is a test for random experiment simulation that includes the propensity scores. First, the test uses a probit model wherein the dependent variable is family, institutional or government to predict the propensity score. Without a replacement, the treatment group is matched with the control group, using family, institutional or government dummies respectively. The regression model on the matched samples helps to understand how to estimate the outcome (CSR) on the basis of propensity scores. The main results show that family, institutional and government variable are all significant with CSR, which is consistent with the results of PSM that show the negative estimator of family and positive estimator of institutional. It is also found that the coefficient of government is significant and positive while match observations are with replacement.

IV-2SLS

To further address any potential endogeneity, the 2SLS-IV approach is used for the regressions of three different control types and CSR performance. Table 4.9 presents the two-stage results based on two instrumental variables. The choice of instrumental variables should satisfy the conditions that instruments must be correlated with control type dummies and only affect CSR through these independent variables. Following Kim and Jo's study (2021), the first instrumental variable of controller type is the percentage of free float shares, which influences the likelihood of owning large shareholdings and becoming the ultimate controller. The percentage of insider shareholdings is the second instrument for family/institutional/government dummies in each model respectively. Insiders are considered as an important party for a firm's controller. Since the test of weak instruments is rejected, two variables (the percentage of free float and insider shareholdings) are not weak instruments for the approach. As presented in Table 4.8, the first stage regression demonstrates that two instrumental variables, the percentage of free float shares and the percentage of insider shareholdings, are significantly related to firm types. The second

stage regression provides similar results with the main regressions, the negative influence of family firms on CSR and the positive influence of institutionally controlled firms on CSR. Government firms show a negative effect on CSR, which is inconsistent with the initial hypothesis.

Table 4.9 IV-2SLS results on the impact of control type on CSR

	First stage			Second stage		
	Family	**Institutional**	**Government**	**CSR**	**CSR**	**CSR**
Family				-0.358***		
				(-11.44)		
Institutional					0.0816***	
					(6.32)	
Government						-0.165***
						(-4.78)
Institownpct	-0.409***	0.0216	0.387***	-0.0720***	0.241***	0.186***
	(-16.79)	(1.05)	(20.96)	(-3.27)	(11.93)	(10.43)
Size	-0.0194*	-0.0246***	0.0439***	0.180***	0.193***	0.198***
	(-1.85)	(-2.78)	(5.54)	(28.59)	(34.54)	(34.64)
Leverage	0.000826	-0.00164	0.000811	-0.0127***	-0.0131***	-0.0135***
	(0.22)	(-0.52)	(0.28)	(-5.67)	(-6.50)	(-6.75)
ROA	0.234**	0.0790	-0.313***	-0.0194	-0.134**	-0.168***
	(2.36)	(0.94)	(-4.16)	(-0.33)	(-2.53)	(-3.10)
MTB	-0.557***	0.810***	-0.253***	0.413***	0.430***	0.576***
	(-5.25)	(9.03)	(-3.14)	(6.32)	(7.33)	(10.12)
KZ	0.00932***	-0.0113***	0.00200	-0.00110	-0.00197	-0.00435***
	(3.56)	(-5.11)	(1.00)	(-0.69)	(-1.39)	(-3.12)
Board size	-0.00828***	0.00336***	0.00493***	-0.00367***	-0.00118	0.000698
	(-6.12)	(2.94)	(4.80)	(-4.28)	(-1.63)	(0.94)
CEO duality	0.00923	0.0378***	-0.0470***	0.0298***	0.0123**	0.0139**
	(0.91)	(4.41)	(-6.11)	(4.97)	(2.24)	(2.40)
Women on board	-0.00204***	0.00102**	0.00103**	0.000232	0.000668**	0.000986***
	(-3.75)	(2.20)	(2.49)	(0.71)	(2.29)	(3.37)
CSR committee	0.0263**	-0.00460	-0.0217**	0.106***	0.0980***	0.0961***
	(1.98)	(-0.41)	(-2.15)	(13.45)	(13.81)	(13.50)
Free float (IV1)	-0.258***	0.650***	-0.392***			
	(-9.54)	(28.41)	(-19.09)			
Insider (IV2)	0.891***	-0.502***	-0.388***			
	(15.48)	(-10.33)	(-8.89)			
Year	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y
Country	Y	Y	Y	Y	Y	Y
Constant	1.364***	-0.333***	-0.0310	-0.747***	-1.215***	-1.323***
	(14.57)	(-4.20)	(-0.44)	(-10.29)	(-24.39)	(-26.63)
N	6952	6952	6952	6952	6952	6952
Adj. R square	0.437	0.625	0.400	0.082	0.258	0.265

**** p<0.01, ** p<0.05, * p<0.1*

4.4.5 Country analysis

In the sub-sample analysis, Table 4.10 indicates the regression results separated with one sample with relatively higher protecting minority investors score and another one with the lower scores. Generally, corporate governance systems in East Asian countries share some common features, such as family control and state ownership (Globerman et al., 2011). However, country characteristics, including the legal system around property rights and protecting minority investors, also contribute to explaining differences in corporate governance (Doidge et al., 2007). Differentiating higher and lower investor protecting countries can be applied as a proxy of corporate governance, helping to scrutinise the effect of ownership and control on CSR performance. According to World Bank data, protecting minority investors score measures the strength of shareholders' rights in corporate governance and safeguards of conflicts of interests. Table 4.10 Panel A provides sample countries' scores and splits them into higher and lower minority investors protection. The higher investor protecting group countries including Hong Kong, Malaysia, Singapore and Thailand score above average among the nine countries, while the lower group countries have a below average score.

Table 4.10 Regression results based on different levels of protecting minority investors

Panel A. Protecting Minority Investors (PMI) score

Country	Protecting Minority Investors score
HONG KONG	84
INDONESIA	70
JAPAN	64
SOUTH KOREA	74
MALAYSIA	88
PHILIPPINES	60
SINGAPORE	86
TAIWAN	76
THAILAND	86

Panel B. Sub-sample analysis (DV=CSR)

	Higher PMI	Lower PMI	Higher PMI	Lower PMI	Higher PMI	Lower PMI
Family	-0.0505***	-0.0433***				
	(-5.37)	(-6.49)				
Institutional			0.0420**	0.0430***		
			(2.41)	(6.75)		
Government					0.0468***	-0.0147
					(5.05)	(-1.13)
Institownpct	0.0183	0.112***	0.00624	0.120***	0.0207	0.156***
	(1.03)	(6.84)	(0.39)	(7.58)	(1.16)	(10.20)
Size	0.0868***	0.109***	0.0849***	0.111***	0.0842***	0.108***
	(10.01)	(29.60)	(9.67)	(29.95)	(9.71)	(28.98)
Leverage	-0.0119***	-0.000479	-0.0124***	-0.000603	-0.0127***	0.000446
	(-4.51)	(-0.16)	(-4.63)	(-0.21)	(-4.79)	(0.15)
ROA	0.186**	-0.277***	0.180**	-0.278***	0.210**	-0.316***
	(2.16)	(-4.14)	(2.06)	(-4.16)	(2.43)	(-4.72)
MTB	0.396***	0.249*	0.417***	0.253**	0.428***	0.244*
	(5.84)	(1.93)	(6.04)	(1.97)	(6.31)	(1.89)
KZ	0.000398	-0.000652	0.000120	-0.000986	-0.0000734	-0.000853
	(0.22)	(-0.33)	(0.07)	(-0.50)	(-0.04)	(-0.43)
Board size	0.00294*	0.00292***	0.00355**	0.00295***	0.00322**	0.00407***
	(1.91)	(3.85)	(2.29)	(3.91)	(2.09)	(5.51)
CEO duality	-0.0161	0.0312***	-0.0234**	0.0288***	-0.0158	0.0301***
	(-1.55)	(5.12)	(-2.26)	(4.73)	(-1.52)	(4.89)
Women on board	0.000221	0.00142***	0.000170	0.00155***	0.000232	0.00142***
	(0.55)	(3.77)	(0.42)	(4.09)	(0.58)	(3.74)
CSR committee	0.0784***	0.141***	0.0760***	0.142***	0.0777***	0.139***
	(7.52)	(16.78)	(7.23)	(16.87)	(7.45)	(16.43)
Year	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y
Constant	-0.579***	-0.679***	-0.620***	-0.743***	-0.617***	-0.726***
	(-7.51)	(-14.75)	(-8.00)	(-16.25)	(-8.03)	(-15.72)
N	1700	5252	1700	5252	1700	5252
Adj. R square	0.388	0.274	0.377	0.274	0.386	0.268

**** p<0.01, ** p<0.05, * p<0.1*

The results of the sub-sample analysis in Panel B implies that family control has negatively impacts on CSR performance either in a sample with relative higher or lower level of

minority shareholders' protection. Family control and institutional investors show a consistent result with the main results. However, government-controlled firms are more effective in higher protection countries. Several arguments about the inconsistent results are described as follows. First, these results show some evidence of countries' influence on the relationship between control and CSR performance. Doidge et al. (2007) stated that firms in a better investor protection country receive higher incentives to support corporate governance mechanisms, which is in line with the notion that government-controlled firms have better corporate governance systems to enhance CSR performance. Second, the use of the mean of the nine countries' scores might not accurately determine the higher level and lower level of minority shareholder protection, while all scores could be categorised as relative higher investor protection since 100 is the highest score. Third, the sub-group may have sample selection bias since government control is typical in some countries while institutional investors are common shareholders in Japan.

Furthermore, since country differences are prominent with regard to corporate governance (Doidge et al., 2007), Table 4.11 displays single country results of Model 1, 2 and 3. The country results analyse patterns from different countries and directly investigate to what extent family, government and institutional variables influence CSR based on country-level differences. Even if the coefficients for different countries and explanatory variables are not all significant, the country-by-country regression results still show statistical evidence of all the sample tests related to the initial hypotheses and supporting theory.

Table 4.11 Country results

	HONG KONG			INDONESIA			JAPAN			MALAYSIA			PHILIPPINES		
Family	0.0411***			-0.117***			-0.0785***			-0.161***			-0.152*		
	(3.18)			(-4.04)			(-7.62)			(-8.72)			(-1.75)		
Institutional		0.0199			-0.0323			0.0746***			0.154***			0	
		(0.90)			(-0.72)			(7.74)			(4.21)			(.)	
Government			-0.0441***			0.141***			-0.0289			0.122***			0.152*
			(-3.42)			(4.75)			(-1.32)			(6.20)			(1.75)
Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Year	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Constant	-0.695***	-0.714***	-0.711***	0.655	0.892**	0.553	-1.527***	-1.638***	-1.631***	-0.288	-0.975***	-0.395*	-0.458	-0.265	-0.609
	(-5.77)	(-5.73)	(-5.91)	(1.62)	(2.15)	(1.37)	(-22.08)	(-24.04)	(-23.54)	(-1.45)	(-4.72)	(-1.90)	(-0.99)	(-0.59)	(-1.24)
N	828	828	828	290	290	290	3448	3448	3448	438	438	438	203	203	203
R square	0.479	0.473	0.480	0.529	0.500	0.540	0.368	0.368	0.358	0.530	0.464	0.490	0.486	0.480	0.486

	SINGAPORE			SOUTH KOREA			TAIWAN			THAILAND		
Family	-0.0222			-0.0436**			-0.0799***			-0.137***		
	(-0.81)			(-2.00)			(-5.41)			(-4.56)		
Institutional		-0.0187			0.0613**			0.0663***			-0.0181	
		(-0.36)			(2.54)			(4.40)			(-0.52)	
Government			0.0280			-0.0108			0.0552**			0.110***
			(1.01)			(-0.39)			(1.96)			(4.28)
Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Year	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Constant	-0.330*	-0.316*	-0.343*	-1.414***	-1.438***	-1.441***	-1.497***	-1.615***	-1.592***	-1.880***	-1.972***	-1.724***
	(-1.82)	(-1.72)	(-1.89)	(-7.77)	(-7.94)	(-7.91)	(-11.83)	(-12.92)	(-12.57)	(-8.26)	(-7.86)	(-7.28)
N	307	307	307	790	790	790	1066	1066	1066	319	319	319
R square	0.443	0.442	0.444	0.427	0.429	0.424	0.467	0.462	0.454	0.627	0.600	0.624

*** *p<0.01, *** *p<0.05, ** *p<0.1*

First, family firms in most countries have a negative impact on CSR performance, supporting H1 and the tendency for shareholders rather than stakeholders. Peng and Jiang (2010) provided evidence that a country's laws and its level of shareholder protection are associated with the impact of family ownership on firm performance in East Asia. Since the weak institutional investing environment reduces reputation incentives for family firms (Rees & Rodionova, 2015), East Asian family firms may see a decrease in CSR performance (Ghoul et al., 2016). However, results in Hong Kong show the reverse in that family firms have a positive influence on CSR performance. The difference in Hong Kong may be attributed to the fact that family firms tend to consider more a weakened reputation to affect the name of the family (Labelle et al., 2018), where family names are sometimes connected to the government. Rees and Rodionova (2015) also supported the notion that families in Hong Kong perform stronger positive influence on the environment and society.. Furthermore, following China's relationship-based economy, family firms build connections with the state to reduce social discrimination (Wang et al., 2016). Under this influential connection, companies take more action to respond to demands from stakeholders.

Second, significant results in Japan, Malaysia, Korea and Taiwan show the consistency with H2 that institutional investors are positively associated with CSR. The positive impact of CSR supports the belief in public pressure and long-term consideration. Crilly (2011) claims that the influence of the external environment, such as resource pressures and institutional pressures, helps to explain stakeholder orientation. Endo (2020) also suggests that resource dependence theory explains the CSR outcome in the Japanese context. From a national perspective, Japan, Korea and Taiwan have similarities in country institutions in that they are all coordinated market economies, civil law countries and long-term orientated culture. These features represent stakeholder orientation, which is supported by prior studies (Graafland & Noorderhaven, 2020; Kang & Moon, 2012; Liang & Renneboog, 2017).

Third, country-specific regressions mostly estimate the positive coefficient of government firms on CSR performance, excluding the sample of Hong Kong. The significant and positive results demonstrate that government-controlled firms value CSR as a result of

political goals toward stabilising society (Ghazali, 2007; Lopatta, Jaeschke & Chen, 2017). However, it is noticeable that an unstable and non-democratic government may also affect CSR (Knudsen & Moon, 2021), and result in poor stakeholder management with negative CSR performance (Li & Zhang, 2010). This indicates the contradiction of H3, showing a significant and negative coefficient on the government variable in Hong Kong. In other words, Hong Kong's government-controlled firms are negatively related to CSR performance. It might be explained by the role of China's government in Hong Kong, demonstrating a different pattern from other democratic states. This result also supports the argument that non-democratic governments do not prefer to be involved in social responsibilities (Knudsen & Moon, 2021).

4.5 Conclusion

This study investigates controlling ownership using a new dataset and shows to what extent it is linked with CSR performance. Accordingly, the main findings imply that family firms prioritise shareholders' benefits and place less emphasis on society and the environment. Regarding which type of firm controller could benefit stakeholders' interests and perform well on CSR, institutional investors and government are therefore examined to support the positive perspective. While not all the results in the additional analysis are significant, the overall direction of results in this research still present trends that scholars can learn from.

The main results indicate that family, institutional investors and government have significant influences on CSR in the initial OLS models. This supports the hypotheses that family is negatively related to CSR performance whereas institutional and government-controlled firms are positively associated with it. Additionally, this direction of influence applies to social and environmental performance individually, although the effect of government control on the environmental dimension is insignificant. To resolve the problem of robustness and endogeneity, the measure of lagged CSR, the IV-2SLS model and PSM tests are also applied for additional analysis. The results are in line with the initial assumptions while lagged CSR performance is applied in the model. PSM and IV-2SLS approaches also provide consistent results in a family's negative estimator and in an institutional investor's positive one. Sub-sample analysis and individual country regression

results also reveal similar trends as mentioned in the main findings in order to strengthen the overall analysis.

As the importance of how responsible firms perform in society and the environment grows, our findings show that corporations value financial returns and shareholders when a family is the controlling shareholder. First, family controlling shareholders are less likely to take responsible actions since they perceive that the benefits do not exceed the costs (Dam & Scholtens, 2013). Since families prioritise the benefit of shareholders, the CSR concept in stakeholder theory appears insufficient. Noticeably, the results from the sub-sample analysis provide an extended conversation to the institutional-level influence on the relationship between corporate control and CSR performance. In East Asian countries with a lack of investor protection, the influence of family control is even more serious because of the problem of the expropriation of shareholders and the separation of ownership and control (Claessens et al., 2000).

Conversely, firms balance stakeholder interests when institutional investors and the government are their ultimate controllers. CSR-oriented behaviour of institutional- and government-controlled firms reveals that it is important to benefit stakeholders and mitigate reputation risk to receive better financial incentives, in accordance with stakeholder theory and the reputation perspective. For institutional investors, both financial and social returns are essential (Dyck et al., 2019; Lopatta, Jaeschke, Canitz, et al., 2017). The influence of government control in a firm increases stakeholder engagements for the public. In addition, government control's CSR enhancement also works when institutional framework consists higher level of investor protection.

The importance of describing whether these three types of ownership and control perform on CSR relies on the reflection of Asian corporate governance. The reason for focusing on East Asian companies is to discover their behaviour on corporate governance and CSR. Corporations are closely connected in these countries; furthermore, they have many cross-country investments where they can become the major ownership and controller of another company. Therefore, the ultimate controller of the firm might be seen as a determinant of related decisions. While the governance system varies from country to country (Kimber & Lipton, 2005), the ownership structure may provide some perspective when trying to

explain the intention to improve CSR. This study further provides some practical implications as types of controlling shareholders and whether they value CSR activities.

The main findings imply that different categories result in different tendencies toward CSR. Focusing on family-, institution- and government-controlling shareholders, the study further contributes to explaining their relationship with CSR, which is helpful for investors, managers and policymakers. Namely, executives in institutional and government firms tend to devise more CSR strategies than those in family firms do. This also prompts policymakers to pressure more companies into taking social responsibility for their stakeholders based on the firm controller type. This research is also valuable as a review of ownership and control in East Asia. Although the sample shows the data regarding the availability of CSR performance data, the ownership pattern of publicly traded companies shows that family and institutional investors represent the most popular form of control in East Asia.

Despite the research addressing some issues over endogeneity, there are still some limitations about the data and methods. Firstly, the access of CSR performance is based on one set of CSR performance ratings. Some may call into question the reliability of these measures (Wood, 2010) although it is difficult to evaluate the outcome of CSR activities. Slower economic developments in some countries also affect the regulations concerning CSR disclosures; consequently, there are fewer CSR ratings available. The second limitation regards the process of collecting controlling ownership type, which may be restricted due to language. Although Bloomberg provides ownership types of firms, the classification of each type is sometimes not precisely calculated. There are some errors in classifying investment advisors, corporations and holding companies. Misunderstanding the firm and individual’s name can also occur, especially in Thailand and Indonesia. Due to this problem, ownership data were manually collected through annual reports and shareholding statistics on company websites to reduce such inaccuracies. Therefore, future research may seek a more structured process of determining family, institutional and government controlling shareholders.

Chapter 5. The role of ownership and control in CSR decoupling behaviour

5.1 Introduction

Recalling corporate scandals about irresponsibility or greenwashing, many companies disclose their CSR information, but in reality their actual performance may be worse or better than what they have reported. Some studies refer to this gap between CSR reporting and performance as "CSR decoupling" (García-Sánchez et al., 2021; J. Li & Wu, 2020; Tashman et al., 2019). For example, Cho et al. (2012) verified empirical evidence that firms reporting extensively on their environmental-protection-related activities did not environmentally outperform other firms with less extensive reporting. This indicates that firms may do their best to appear to be taking greater responsibility to benefit society and the environment, but the reality may differ.

Scholars have discussed that institutional voids motivate decoupling actions, since CSR reporting is often considered a form of legitimacy pressure (Tashman et al., 2019). Firms endeavour to meet global standards of sustainability since they believe compliance thereto will help them to alleviate such institutional pressures (Li & Wu, 2020). Li and Wu (2020) further observed that public ownership tends to encourage more CSR decoupling because firms under such control are forced by equity markets to maximise shareholders' interests, which conflicts with the principle of stakeholder primacy. However, the existing research provides little evidence of whether different types of ownership and control influence the degree of decoupling.

To better understand the role of ownership and control in this apparent gap between disclosure and performance, this paper extends legitimacy and stakeholder theory. As more companies exaggerate in their sustainability reports, decoupled performance has become increasingly noticeable in recent CSR studies. Scholars have paid particular attention to institutional theory (Crilly et al., 2012; Marquis & Qian, 2014) and neo-institutional theory (Hawn & Ioannou, 2016; Tashman et al., 2019) to determine what motivates decoupling behaviour. However, other theories are also worth considering when looking at the drivers widening the gap between reporting and actual actions. With that in mind, this study

reinforces the decoupling literature by using stakeholder and legitimacy theories to discuss what types of ownership and control may enhance or reduce the level of CSR decoupling.

Different types (family firms, government-controlled firms, and firms under institutional ownership) may yield dissimilar perspectives on CSR decoupling.

Based on the theory of integration, this study predicts a more significant gap in family firms in which shareholders' interests are prioritised. In contrast, smaller gaps may be evident where legitimacy is a foremost concern, and where governmental and institutional investors are involved. Some studies have already examined the influence of legitimacy pressures and stakeholders' interests on CSR decoupling (García-Sánchez et al., 2021; J. Li & Wu, 2020; Luo et al., 2017; Marquis & Qian, 2014). Complementary to their findings, this research provides a more detailed comprehension as to what motivates corporations to behave in a decoupling manner, looking specifically at to what extent ownership and control contribute to this misalignment.

Corporations pursue a certain level of CSR reporting and performance in order to satisfy stakeholders' demands on the basis of stakeholder theory (García-Sánchez et al., 2021). Sometimes, firms demonstrate a disparity between these two elements though, as their CSR disclosure appears impressive to their stakeholders but they make fewer actual investments in CSR for the benefit of shareholders. Other scholars have suggested that external pressures, such as regulatory pressures, contribute to CSR reporting quality as firms strive to maintain or boost their legitimacy (Luo et al., 2017). This legitimacy pressure may shape corporate decisions leading to better disclosure on CSR without much impact on actual performance. Prior research has found that a gap between CSR reporting and actual performance exists, but the factors influencing such decoupling have been less examined. In order to ascertain the roles of legitimacy and stakeholders in CSR decoupling, this chapter describes what the differences in ownership and control correspond to differences in the extent of decoupling between CSR reporting and performance.

Furthermore, this study's results present some important policy implications. First, it is essential to scrutinise whether government money is being suitably used. Government control in corporations indicates the existence of numerous shareholder interests along with stock benefits therein. Hence, firms under some sort of government control would be

inclined to decrease CSR decoupling and take genuine CSR actions, as the findings here demonstrate. Second, the role of ownership and control in CSR decoupling is pivotal as a consequence of the domination of voting and cashflow rights. CSR decisions rely on such rights, reflecting that "the real danger is when politicians and CEOs are making it look like real action is happening when in fact almost nothing is being done" (Pucker, 2021, p.143).

Overall, the analysis of firms in East Asia helps us to explore further from both academic and policy perspectives with regard to corporate ownership and control, and CSR decoupling. Based on the results of this study, family firms are more likely to have wider CSR decoupling while firms under institutional ownership and government-controlled firms tend to have a narrower gap. The stakeholder and legitimacy perspectives explain conflicts between shareholders and stakeholders as well as the argument in favour of a firm's legitimation. This research extends the discussion on CSR disclosure, performance and decoupling, suggesting that different types of ownership and control influence corporate behaviour and decoupling. As the importance of preventing greenwashing gradually rises, the findings provide some important insights into family firms' reporting quality and their actual performance with regard to society and the environment.

5.2 Literature review and theoretical framework

Several scholars have claimed that institutional theory contributes to CSR decoupling, such as depicted in the research by Tashman et al. (2019), which stated that institutional voids encourage firms' CSR decoupling. Complying with international standards seems imperative for corporations. Therefore, firms have to engage in trade-offs to being their CSR disclosures and actual performance closer amid a complex global institutional environment (Marquis et al., 2016; Tashman et al., 2019). Furthermore, the institutional influence of a government shapes the corporate behaviour of decoupling. Compliance with regulations may increase the speed of progress made according to a firm's CSR reporting, but the actual performance may often lag behind (Luo et al., 2017). Correspondingly, CSR decoupling exists even in a regulated environment.

However, arguments about institutional complexity and CSR decoupling have focused more on the influence from external pressures, overlooking internal mechanisms that may

be equally strong or even stronger incentives behind CSR decoupling. Decoupling behaviour helps corporations to keep their legitimacy, even if their actions fall short of what they report (Meyer & Rowan, 1977). In other words, firms disclose the undertaking of socially- and environmentally-beneficial activities to keep or gain legitimacy within society, but they may perform quite differently in reality with regard to social and environmental dimensions.

The reasons behind a firm disclosing its CSR activities generally relies on legitimacy theory (Cho et al., 2012; Deegan, 2002; Gray et al., 1995). Many firms publish social and environmental information to fit better into the society they serve, and also to pursue legitimacy by engaging in CSR actions (Walker & Wan, 2012). Attaining legitimacy can help corporations to continue to exist and thrive in society (Deegan, 2002; Gray et al., 1995). Moreover, corporate strategy of legitimating demonstrates the desire to being symbolic and substantial legitimacy (Crossley et al., 2021). Such non-financial disclosures are therefore regarded as forging a connection between firms and society.

In addition, the actual performance of CSR and the reporting thereof is an important element when interpreting the firm's attitude toward its stakeholders. García-Sánchez et al. (2021) found that firms with a smaller gap between their CSR disclosure and actual performance tended to be inclined to preserve their relationships with stakeholders and survive in society. The relationship between a corporation and its stakeholders is thus in some ways determined by its CSR disclosure (Gray et al., 1995). Only if firms genuinely desire to act in stakeholders' interests will their actual CSR performance be as good as their disclosures state (García-Sánchez et al., 2021). The deviation between CSR disclosure and actual performance thus is reflected in the dominance of stakeholders' demands. Consistent with the legitimacy theory, CSR reporting is influenced by stakeholders putting pressure on firms to maintain or boost legitimacy and further reduce its activities harmful effects on society and the environment (Tashman et al., 2019). Hence, stakeholder and legitimacy perspectives are interconnected, and their integration helps to explain CSR decoupling.

Striking a balance between stakeholder and shareholder interests is also influential when it comes to CSR decoupling. Li and Wu (2020) revealed empirical evidence of public and private firms in relation to CSR decoupling, positing that shareholder primacy may

influence public firms to participate in more CSR disclosure. Prior studies have discussed that specific types of ownership of firms may lead to prioritising shareholders' benefits, such as family firms (Abeysekera & Fernando, 2018). Hence, internal monitoring mechanisms from the ownership and/or board may reduce the divergence between CSR disclosure and performance (Sauerwald & Su, 2019). Moreover, different forms of ownership and control may determine the extent of decoupling behaviour. Unlike Kim and Lyon (2015) who highlighted the imbalance between different stakeholder groups enhancing decoupling, applying a focus on the differing interests between stakeholders and shareholders may provide a more compelling perspective on ownership and control and its relationships with decoupling actions.

Ownership and control of a firm is assumed to be part of the corporate governance mechanism which may constrain or encourage corporate behaviour. Prior studies have examined some internal mechanisms to affect CSR decoupling, such as the existence of a CSR committee, which was found to reduce CSR decoupling (Gull et al., 2022). Meanwhile, CEO overconfidence has been found to increase decoupling but the board can moderate this relationship, suggesting that a monitoring mechanism can be effective to mitigate CSR-decoupling actions indirectly (Sauerwald & Su, 2019). Some scholars have also observed the role of government in CSR decoupling (Luo et al., 2017; Marquis & Qian, 2014). Governments will steer firms according to their interests while providing them with political legitimacy (Marquis & Qian, 2014). When a government controls a firm, the hitherto external factor of the government interests is shifted into an internal mechanism, as that government becomes a controlling shareholder. The structure of ownership and control may generate conflicts between shareholders and stakeholders, with corresponding effects on CSR decoupling.

Based on the above arguments, the sample has chosen family firms, firms under institutional ownership, and government-controlled firms to identify different types of ownership and control and their impacts on CSR decoupling. The following sections provide some assumptions based on legitimacy and stakeholder theories.

5.3 Hypotheses development

5.3.1 Family firms and CSR decoupling

Literature about family firms and CSR has generally revolved around one of two perspectives. One asserts that family firms tend to promote CSR for their socioemotional wealth (Berrone et al., 2010; Labelle et al., 2018) and the other suggests that families act according to a concern that CSR activities may harm shareholders (Abeysekera & Fernando, 2018; Rees & Rodionova, 2015). Some studies have inferred that family firms can have a positive and negative influence on CSR, while relatively few studies have concentrated on the gap between CSR disclosure and performance. In particular, it is ambiguous whether family firms' CSR outcomes are faithfully reflected in their reports revealed to the public.

CSR-decoupling actions may be less popular for family-run firms as they pursue satisfaction of stakeholders' interests. In line with proponents of the positive relationship between family firms and CSR, one perspective supports the idea that family firms benefit from socioemotional wealth and thus reduce the gap between CSR disclosure and performance (Parra-Domínguez et al., 2021). They believe that responding to external stakeholders' demands helps to protect their socioemotional wealth (Cruz et al., 2014). Besides, family firms are supposed to have a higher quality of accounting information, thereby increasing transparency (Cascino et al., 2010) and avoiding irresponsible activities that would harm the family name (Labelle et al., 2018). Decoupling also attracts more attention in terms of monitoring (Marquis & Qian, 2014), which may influence the family's reputation. Moreover, protecting the family's reputation and socioemotional wealth may be a reason for taking social and environmental actions.

However, the selective characteristics of a family firm may lead it to neglect socioemotional wealth preservation and instead increase the tendency to widen the gap between CSR reporting and reality. Family firms generally select what they disclose to the public since they perceive that revealing such information may compromise their control over the corporation (Zaini et al., 2020). Indeed, negative disclosure may harm the

reputation of a family firm but further the family's socioemotional wealth. Prior studies have assumed that concerns over a potential loss of socioemotional wealth would put pressure on family firms to comply with institutions (Berrone et al., 2010) or take risks in their business decisions (Gómez-Mejía et al., 2007). Consequently, decoupling behaviour may occur when firms carry out CSR reporting for their socioemotional wealth but adopt cosmetic strategies, such as fast implementation of disclosures without substantive actions (Marquis & Qian, 2014).

The gap between disclosures and performance widens when firms deliberately adopt regulations but do not implement meaningful plans for CSR (Luo et al., 2017). Family firms may tend to maintain their symbolic rather than substantive legitimacy, with the effect being the widening of the CSR decoupling. Symbolic actions are favoured by external stakeholders to acquire legitimacy (Crossley et al., 2021). The importance of being deemed legitimate influences CSR decoupling. Specifically for family firms, controllers are concerned about the firm's legitimacy in society and this may increase their motivation to report more substantively, but they may not actually invest adequately in CSR.

It is noticeable that some family members will prioritise their own interests in a family-controlled firm. As families in such firms are predominantly the largest shareholder group, taking more responsible actions may weaken their financial returns, thus influencing the family's level of control because the cost of CSR-compliant actions may exceed the benefits (Ghoul et al., 2016). Thus, shareholder-stakeholder conflicts play a moderating role in CSR decoupling (Li & Wu, 2020). When family controllers confront the conflict between shareholders and stakeholders, they may be more constrained by shareholders' interests and thus refrain from taking impactful actions for the benefit of society and the environment as their reports claim.

According to the above arguments about disclosure selectivity, legitimacy assumptions, and being restricted by their shareholders, firms that are family run are expected to have positive correlation with CSR-decoupling behaviour.

H1: In family firms, the gap between CSR disclosure and CSR performance increases.

5.3.2 Institutional ownership and CSR decoupling

Prior studies have arrived at mostly positive potential outcomes regarding the relationship between institutional ownership and CSR performance. It appears that higher institutional ownership results in better CSR performance, based on prior empirical evidence (Chen et al., 2020; Dyck et al., 2019). Institutional investors' motivation to engage in CSR is mainly steered by the monitoring purpose of the given firm. Many firms monitor activities to ensure its behaviour is responsible (Campbell, 2007) and also use such monitoring functions to influence firms' decisions and to support CSR engagements that increase CSR performance (Neubaum & Zahra, 2006). Their collective shareholder power also plays a role in ensuring accountability (Crane et al., 2004). Furthermore, institutional investors are encouraged to support responsible actions among firms, leading to better CSR performance.

From the institutional shareholders' perspective, CSR represents a mechanism for responding to their fiduciary demands for sustainability goals (Chen et al., 2020). Disclosing a firm's actions to benefit society and the environment helps institutional investors to display their responsible behaviour pursuant to sustainability. Furthermore, institutional investors' internal monitoring mechanism puts pressure on firms to be more conservative in their reporting (Ramalingegowda & Yu, 2012)and consequently decrease information asymmetry (Lafond & Watts, 2008). In particular, firms with a higher level of institutional ownership may be less inclined to report having done things that they actually have not and this help to reduce asymmetry of their social and environmental disclosures.

CSR decoupling may be minimised through the positive effect of institutional ownership on disclosure and performance. García-Sánchez et al. (2021) assumed that firms would have greater legitimacy when the gap between their CSR disclosure and performance is small. Firms are therefore motivated to avoid decoupling to enhance their legitimacy. Accordingly, quick actual implementation of CSR reduces the gap between disclosure and performance (Luo et al., 2017). Since institutional investors' internal function of ensuring fiduciary responsibility is taken supports more disclosing and implementing of CSR

activities, institutional ownership may narrow the disparity between reporting and performance.

Meanwhile, there are other characteristics of institutional ownership that also prevent firms from CSR decoupling. First, firms with a higher level of institutional ownership are affected by salient stakeholders who are dominant in CSR decisions (Neubaum & Zahra, 2006), implying that institutional ownership entails the prioritising of stakeholders' demands. Second, institutional investors are supposed to have collective power over corporate supervision. When a firm's external monitoring is effective, its function of restricting CSR decoupling is particularly recognisable (Marquis & Qian, 2014). CSR decoupling thus may be more likely to be reduced in firms with greater institutional ownership. Third, the motivation behind institutional investors to have CSR activities implemented is to achieve higher financial and social returns (Dyck et al., 2019). Otherwise, they would invest in companies already engaging in CSR (Graves & Waddock, 1994). The stock preferences of institutional investors indicate that firms may be aware of the increasing need to align their CSR reporting and performance.

Thus, pursuing a smaller gap between CSR disclosure and performance helps institutional investors to monitor and achieve corporate sustainability.

H2: Higher levels of institutional ownership are negatively related to CSR decoupling.

5.3.3 Government-controlled firms and CSR decoupling

CSR decoupling in government-controlled firms attracts the attention of government institutions. Within such contexts of the configuration of CSR and government (Gond et al., 2011), CSR is expected to be facilitated by governments, so state power is naturally a strong influence. In this relationship, governments affect firms' CSR actions through incentive systems and, partially, through legal intervention (Gond et al., 2011). Some discussions about government influence on CSR decoupling have been based on institutional theory, whereby scholars believe institutional pressures in the form of regulations shape the behaviour of corporations who seek to gain legitimacy (Luo et al.,

2017; Marquis & Qian, 2014). Governments provide legitimacy to firms and put pressure on them to deliver consistent disclosure and performance (Luo et al., 2017).

For government-controlled firms, decoupling behaviour is not undertaken to gain legitimacy. In line with the results gleaned by Hu et al. (2018), there is no such need for state-owned firms to gain legitimacy through disclosures as they already have political legitimacy. Specifically, increased internal monitoring of government-controlling ownership would naturally decrease CSR decoupling and force firms to be more responsible with respect to the environment and society. It is noticeable that some scholars (Luo et al., 2017; Marquis & Qian, 2014) have scrutinised state ownership in relation to CSR decoupling in the context of China, reaching results that differed in their significance. Meanwhile, it may be assumed that a government as a controlling shareholder may have an impact on firms' CSR-decoupling actions in countries other than China. Ultimately, firms subject to government control may attain legitimacy from their governments, thus narrowing the gap between CSR disclosure and performance.

In addition to the top-down institutional pressure to enhance legitimacy, stakeholder theory on CSR decoupling provides a bottom-up explanation of a firm's need for legitimacy. Firms can satisfy stakeholders' interests by engaging less in CSR decoupling (García-Sánchez et al., 2021) and obtain legitimacy from their responsible actions toward society (Cho et al., 2012). Since the functions of government include maintaining stability in society (Lopatta, Jaeschke, & Chen, 2017), a firm controlled by a government may be more inclined to follow stakeholders' demands to satisfy the public. Thus, conflicts between a government and stakeholders may gradually diminish. As shareholder-stakeholder conflicts influence decoupling actions (Li & Wu, 2020), there may be less CSR decoupling in a government-controlled firm when conflicts become less obvious. It has even been suggested that government-controlled firms may consciously decide to bring their reporting and actual performance on CSR closer together with their stakeholders' interests in mind.

H3: Government-controlled firms' CSR reporting is less decoupled from their CSR performance compared to non-government-controlled firms.

5.4 Research method

5.4.1 Data and variable measurement

The sample consists of a total of 6,854 observations across the period of 2010 to 2019, containing publicly-traded companies in the stock market based on their country of domicile in East Asia, including Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand. Since CSR disclosure and performance data are limited by data availability, the sample is an unbalanced pooled dataset. Table 5.1 shows the sample distribution by country, industry, and year.

CSR decoupling

When the degree of CSR disclosure does not accurately match the degree of CSR performance, the gap between the two is known as CSR decoupling. Following this definition, some prior studies (García-Sánchez et al., 2021; Gull et al., 2022; Tashman et al., 2019) have measured CSR decoupling by taking the difference between their CSR disclosure score and their environmental and social performance according to different rating companies. Table 5.2 shows a comparison of different CSR-decoupling measures based on existing research.

To measure CSR disclosure, much of the decoupling research has used manually collected and analysed data in CSR reports, including the aspect of whether a firm reports relevant CSR information (Marquis & Qian, 2014; Tashman et al., 2019), the time at which a report is issued (Luo et al., 2017), and the tone taken in the CSR reports (Sauerwald & Su, 2019). Some measures focus on transparency while others focus on the report quality which could be asserted via the narrative nature and semiotic analysis (Yekini et al., 2021). However, in this research, reporting completeness is considered more likely to represent the construct of CSR disclosure.

Substantial appropriate disclosure data should allow for measurement of the amount of relevant CSR data. Thus, using the quantity rather than quality data to evaluate CSR disclosure is much appropriate while discussing the gap between CSR disclosure and

performance. The CSR disclosure data are retrieved from the Bloomberg ESG disclosure scores, ranging from 0 (no disclosure) to 100 (complete disclosure) for each pillar of environmental, social and governance dimensions, and does not measure the company's performance. García-Sánchez et al. (2021) and Gull et al. (2022) also collected Bloomberg ESG disclosure scores to measure CSR decoupling.

To measure CSR performance, the variable measurement applies the Refinitiv ESG score (formerly known as the ASSET4 ESG score), the methodology of which for its environmental and social pillar scores is based on a firm's CSR effectiveness. Following prior CSR-decoupling measurements (Gull et al., 2022; Tashman et al., 2019), CSR decoupling is measured as the average environmental and social disclosure score minus the average environmental and social performance. In addition, the gap between social (environmental) disclosures and social (environmental) performance independently is also referred to as CSR decoupling.

Table 5.1 Sample distribution

	Obs.
Full sample	6,854
Across countries	
Hong Kong	709
Indonesia	243
Japan	3,205
Malaysia	365
Philippines	185
Singapore	285
South Korea	652
Taiwan	906
Thailand	300
Across industries	
Automobiles and Parts	330
Banks	523
Basic Resources	295
Chemical	391
Construction and Materials	324
Consumer Products and Services	322
Energy	205
Financial Services	159
Food, Beverage and Tobacco	419
Health Care	266
Insurance	117
Industrial Goods and Services	1159
Media	59
Personal Care, Drug and Grocery Stores	77
Real Estate	416
Retail	210
Technology	768
Telecommunications	248
Travel and Leisure	171
Utilities	337
Other	54
Across years	
2010	482
2011	559
2012	591
2013	622
2014	653
2015	694
2016	748
2017	795
2018	816
2019	890

Table 5.2 Comparison of decoupling measures and data sources

Research	CSR disclosure	CSR performance	Decoupling measure
García-Sánchez et al. (2021)	Bloomberg ESG disclosure score	KLD Stats database	Normalised CSR disclosure minus normalised CSR performance
Gull et al. (2022)	Bloomberg ESG disclosure score	ASSET4 ESG scores	CSR disclosure minus CSR performance
Li & Wu (2020)	UNGC participation data	RepRisk (event-based outcome measure of firm-level negative ESG incidents)	Fixed-effects Poisson models to test ESG Impact of UNGC Participation
Luo et al. (2017)	Manually collected: discrete-time event history analysis to obtain the hazard rate of issuing a report	Rankins CSR Ratings: CSR report quality	It was coded as 1 if a firm issued its first report early and its report quality was below the average of all firms in the observation year
Marquis & Qian (2014)	Manually collected: If the focal firm has issued a CSR report in a given year	Rankins CSR Ratings: an overall rating of CSR activities as portrayed in the report	OLS regression on disclosure and performance respectively
Sauerwald & Su (2019)	Manually collected: the optimistic tone of CSR reports via content analysis	KLD Stats database	Z-score report optimistic tone minus z-score CSR performance
Tashman et al. (2019)	Manually collected (following Fortanier et al., 2011): CSR reporting indicators	MSCI ESG IVA database	CSR disclosure minus CSR performance

Ownership and control

Following Carney and Child (2013), the ultimate corporate controller should have at least a 10% shareholding, directly or indirectly. La Porta et al. (1999) calculated that 10% direct and indirect voting rights marked a threshold for identifying the ultimate controller of voting. Meanwhile, family-controlled firms are defined as firms where the family is the ultimate controller. With total family shareholdings greater than 10%, family firms should also have at least one family member serving as director or most senior management figure (Cascino et al., 2010; Cruz et al., 2014; Lamb & Butler, 2018; Madden et al., 2020). As the name of the shareholder is required when it comes to identifying the controller, the study manually collected shareholder information from annual reports and company websites.

Second, to identify whether a firm was controlled by a government, the data of state-owned enterprises from Refinitiv were additionally applied to complement the information provided in corporate annual reports and on the websites. A government-controlled firm is defined as one where a substantial proportion of shareholdings belong to a government and its affiliated bodies. Third, as prior studies displayed that firms are typically controlled by families or the state in a country with fewer institutional investors (La Porta et al., 1999), the following analysis uses institutional ownership percentage instead of dummy variable. Institutional ownership data were collected from Bloomberg, with the extent of ownership defined by the percentage of shares outstanding held by institutions. Institutions here include 13Fs, US and international mutual funds, US insurance companies, and institutional shareholdings appearing at the aggregate level.

Control variables

To avoid bias in the results stemming from other possible factors, some control variables were included in the research analysis. First, firm size (*Size*), return on assets (*ROA*), and leverage (*Lev*) could all influence CSR decoupling since they are related to a firm's allocation of financial resources to CSR activities (García-Sánchez et al., 2021). Market-to-book ratio (*MTB*) is also an indicator of firm performance that has an impact on CSR investment when the resources are limited. Second, as other corporate governance factors may influence CSR decoupling, relevant variables were also included, such as board size (*Boardsize*), CEO duality (*CEOdual*), and existence of a CSR committee (*Cmte*) may also affect CSR reporting and performance (Gull et al., 2022).

Access to finance is vital when it comes to resource control and allocation, thus affecting CSR performance. Cheng et al. (2014) highlighted that CSR performance is interrelated with capital constraints. Specifically, when there is a relatively large gap between CSR disclosure and performance, the firm's ability to access financial resources is weakened (García-Sánchez et al., 2021). Therefore, financial constraints are significantly correlated to CSR engagements and have been controlled in the model. The model has applied the Kaplan-Zingales (KZ) index and its regression coefficients, developed by Kaplan and Zingales (1997) and described in the research of Lamont et al. (2001), which is now a widely used method to calculate a firm's financial constraints. The KZ index reveals the

follow ratios: debt to total capital; dividends to total capital; and cash holdings to capital. A higher KZ index indicates more constraints on a firm's access to finance.

$$KZ\ index = -1.001909 \times CF_{it} / A_{it-1} - 39.3678 \times DIV_{it} / A_{it-1} - 1.314759 \times Cash_{it} / A_{it-1} + 3.139193 \times Debt/\ Total\ Capital_{it} + 0.2826389 \times Q_{it},$$

where CF_{it} / A_{it-1} is cashflow over lagged assets; DIV_{it} / A_{it-1} is cash dividends over lagged assets; $Cash_{it} / A_{it-1}$ is cash balance over assets; $Debt/\ Total\ Capital_{it}$ is total debt over total capital; and Q_{it}, is the market value of equity.

5.4.2 Models

To test the hypotheses for the three types of ownership and control in CSR decoupling, this study applies the following equations and in order to control any variations, year-, industry-, and country-fixed effects have been applied in the model. Firstly, model 1 aimed to examine whether family firms have a positive impact on CSR decoupling (H1). Then, model 2 tested the relationship between institutional ownership and CSR decoupling, which refers to H2. Meanwhile, model 3 helps to examine the possible negative impact of government-controlled firms on CSR decoupling (H3).

$$Model\ 1: CSR\ decoupling_{it} = \beta_0 + \beta_1 Family_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 ROA_{it} + \beta_5 MTB_{it} + \beta_6 KZ_{it} + \beta_7 Boardsize_{it} + \beta_8 CEOdual_{it} + \beta_9 Cmte + \beta_{10} Year + \beta_{11} Industry + \beta_{12} Country + \varepsilon_{it}$$

$$Model\ 2: CSR\ decoupling_{it} = \beta_0 + \beta_1 Institownpct_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 ROA_{it} + \beta_5 MTB_{it} + \beta_6 KZ_{it} + \beta_7 Boardsize_{it} + \beta_8 CEOdual_{it} + \beta_9 Cmte + \beta_{10} Year + \beta_{11} Industry + \beta_{12} Country + \varepsilon_{it}$$

$$Model\ 3: CSR\ decoupling_{it} = \beta_0 + \beta_1 Gov_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 ROA_{it} + \beta_5 MTB_{it} + \beta_6 KZ_{it} + \beta_7 Boardsize_{it} + \beta_8 CEOdual_{it} + \beta_9 Cmte + \beta_{10} Year + \beta_{11} Industry + \beta_{12} Country + \varepsilon_{it}$$

CSR decoupling here is represented by three proxies regarding the gap between disclosure and performance, namely the gap between average environmental and social disclosure score and the average environmental and social performance (*GAP*), the gap between environmental disclosure score and environmental performance (*GAP_E*), and the gap between social disclosure score and social performance (*GAP_S*). Prior studies frequently used panel data analysis to develop the linear relationship in the accounting and finance research. Since Hausman tests rejects the null hypothesis of firm random effects for three models ($p<0.05$), model 1, 2 and 3 include industry, country and year fixed effects to

control for specific factors that affect CSR decoupling. By including these fixed effects, results could be focused on the within-country and within-industry variations over time.

5.5 Results

5.5.1 Descriptive statistics

The summary statistics of the sample are shown in Table 5.3. As the measurements of CSR disclosure and performance are both displayed as percentages, the mean of CSR gap -0.23 indicates that, on average, the CSR disclosure score was 23% lower than CSR performance. Looking at this in further detail, it is observable that the mean value (-0.19) of the gap between environmental disclosure and performance was smaller than the mean value (-0.26) in the social dimension. Misalignment was found to be possible in both directions. Indeed, a negative value for the CSR gap means that firms may underestimate their CSR performance, which means they report less than what they actually did to benefit society and the environment (Gull et al., 2022; Hawn & Ioannou, 2016). However, the reason of decoupled results could also contribute to overstating of CSR performance from CSR rating providers. Thus, an alternative proxy for CSR performance would be applied in the additional analysis to resolve this problem. Moreover, the additional Tobit regression analysis examines the positive and negative gaps separately.

Independent variables (family, institutional ownership, and government control) are covered by two dummy variables and one continuous variable. The data show that 37% of observations are family and government-controlled firms. Otherwise, institutional ownership has a mean value of 0.47, which indicates that the average shareholdings held by institutions in a firm is 47%. Table 5.4 presents the Pearson correlation coefficients for the variables. Since the data is ratio scale and relationship is expected to be linear, Pearson correlation is applied here. There is not a high correlation between dependent and independent variables, while the correlations among independent variables are low or moderate. It suggests that none of the variables have a high correlation likely to cause collinearity issues in the regression results.

Table 5.3 Summary statistics

Variables	Mean	SD	Min	Median	Max
GAP	-0.228	0.180	-0.847	-0.237	0.51
GAP_E	-0.195	0.220	-0.892	-0.196	0.705
GAP_S	-0.261	0.197	-0.913	-0.258	0.435
Family	0.367	0.482	0	0	1
Institownpct	0.465	0.214	0	0.462	1.179
Gov	0.146	0.353	0	0	1
Size	8.794	1.045	5.67	8.727	12.15
Lev	0.834	1.520	0	0.509	72.092
ROA	0.046	0.057	-0.652	0.035	0.731
MTB	0.021	0.058	0.001	0.013	2.206
KZ	0.55	2.007	-18.668	0.692	73.21
Boardsize	11.314	3.785	1	11	39
CEOdual	0.327	0.469	0	0	1
Cmte	0.159	0.366	0	0	1

N = 6,854

Table 5.4 Correlation matrix

	GAP	***GAP_E***	***GAP_S***	***Family***	***Institownpct***	***Gov***	***Size***	***Lev***	***ROA***	***MTB***	***KZ***	***Boardsize***	***CEOdual***	***Cmte***
GAP	1													
GAP_E	0.878***	1												
GAP_S	0.846***	0.487***	1											
Family	0.041***	0.010	0.063***	1										
Institownpct	-0.138***	-0.083***	-0.159***	-0.279***	1									
Gov	-0.047***	-0.025**	-0.058***	-0.314***	0.273***	1								
Size	-0.239***	-0.188***	-0.227***	-0.126***	-0.016	-0.095***	1							
Lev	-0.037***	-0.043***	-0.019	-0.064***	-0.016	0.053***	0.134***	1						
ROA	0.006	0.032***	-0.025**	0.127***	0.050***	0.001	-0.218***	-0.213***	1					
MTB	-0.032***	-0.005	-0.053***	0.022*	0.029**	0.024**	-0.154***	0.376***	0.389***	1				
KZ	-0.056***	-0.071***	-0.024**	-0.064***	-0.002	0.007	0.222***	0.372***	-0.329***	0.194***	1			
Boardsize	-0.038***	-0.042***	-0.023*	-0.221***	0.027**	0.059***	0.112***	0.102***	-0.156***	-0.071***	0.125***	1		
CEOdual	-0.035***	-0.043***	-0.015	0.021*	-0.110***	-0.173***	0.037***	0.016	-0.046***	-0.038***	0.030**	-0.028**	1	
Cmte	-0.037***	0.024**	-0.096***	0.094***	-0.033***	0.047***	-0.106***	0.001	0.058***	0.013	-0.072***	0.023*	-0.092***	1

*** *p<0.01,* ** *p<0.05,* * *p<0.1*

5.5.2 Main evidence of CSR decoupling

Table 5.5 shows the main results with respect to the relationship between CSR decoupling and independent variables, family firms, institutional ownership, and government-controlled firms. Following prior studies (Gull et al., 2022; Marquis & Qian, 2014), ordinary least squares (OLS) regression was used to test the association between CSR-decoupling variables and other variables. Model 1 contains the results as to what extent family firms influence the CSR gap. The estimated coefficient of family firms for CSR decoupling is 0.0186 with strong significance ($p<0.01$). Consistent with H1, it is found that family firms are positively related to CSR decoupling, which means they demonstrate a wider gap between CSR disclosure and performance compared to the other types of firm. Notably, results also show that family firms have an even wider gap ($\beta= 0.0343$) between social dimension disclosure and performance, with statistical significance ($p<0.01$).

Meanwhile, family firms act pursuant to the interests of shareholders and consider CSR disclosure a tool to gain legitimacy; consequently, they tended to widen the gap between CSR reporting and performance, in line with what was assumed in H1. Decoupling here can be attributed to the tendency of family firms to regard social actions as legitimate. These results support prior findings about firms exaggerating their performance in their reporting (Tashman et al., 2019), and also demonstrate that family firms act with shareholders' interests in mind (Ghoul et al., 2016).

The result for model 2 indicates strong significance ($p<0.01$) for the coefficient (-0.079) of institutional ownership. In accordance with what was assumed in H2, institutional ownership was found to have a negative relationship with CSR decoupling. This negative influence suggests that institutional ownership could reduce the gap between reporting and actual performance. Where institutional investors have relatively high shareholdings, pressure is put on firms to perform as they have reported. Institutional investors' influence on positive CSR performance and reporting indicates a smaller gap between the two and decreased CSR decoupling.

It is worth noting here that the coefficients of institutional ownership for both environmental and social gaps were negative and significant at the 99% confidence level.

The negative relationship with all proxies for decoupling confirms that institutional ownership executes its monitoring mechanism and internal legitimacy efficiently (Neubaum & Zahra, 2006; Sauerwald & Su, 2019), showing that CSR decoupling is somehow influenced by institutional ownership. Pertinently, both family and government variables were insignificant with regard to decoupling in the environmental dimension, with only institutional ownership significantly related to the environmental gap ($\beta = -0.049$, $p < 0.01$) and supporting H2 in general.

In model 3, the estimated coefficient for the government variable with respect to the CSR gap was insignificant. Although the result shows insignificance in terms of the effect of a government-controlled firm on the CSR gap, it is relatively significant in terms of the specific gap between social dimension disclosure and performance ($\beta = -0.019$, $p < 0.01$). The negative coefficient here indicates that when a government is the controlling shareholder of a firm, the misalignment between reporting and performance is likely to reduce, which is consistent with H3.

A similar result was also reached by Gull et al. (2022), where they applied state ownership as a control variable. Elsewhere, Luo et al. (2017) suggested that state ownership may influence the significance of the results. Compared to the insignificant result reported by Marquis and Qian (2014), the role of state ownership in CSR decoupling might not be as influential as government control. Hence, where a firm is classified as being controlled by a government, there may be a moderate linkage between government power and decoupling behaviour, which could not be apparently discovered. A completed hypotheses result is shown in Table 5.6.

With regard to control variables, it is noteworthy that the existence of a CSR committee negatively affects CSR decoupling, which is coherent with prior research to have found that the existence of such a committee would reduce the gap between disclosure and performance (Gull et al., 2022). Furthermore, KZ index shows strong and positive influences of financial constraints on CSR, environmental, and social gaps, respectively. As the KZ index displays the same result as the leverage ratio variable, a firm's ability to access external financial resources is critical in CSR-decoupling behaviour. Firms may tend to increase CSR decoupling when they are under significant constraints in accessing

finance. Corresponding to the findings of García-Sánchez et al. (2021), the relationship between financial constraints is a two-way interaction, as CSR decoupling affects financial constraints and vice versa.

Table 5.5 Main results of CSR decoupling and variables

	Model 1			Model 2			Model 3		
	CSR gap	E gap	S gap	CSR gap	E gap	S gap	CSR gap	E gap	S gap
Family	0.0186***	0.00283	0.0343***						
	(3.63)	(0.44)	(6.19)						
Institown pct				-0.079***	-0.049***	-0.110***			
				(-7.55)	(-3.68)	(-9.64)			
Gov							-0.00484	0.00955	-0.019***
							(-0.71)	(1.11)	(-2.61)
Size	-0.131***	-0.123***	-0.140***	-0.131***	-0.122***	-0.139***	-0.132***	-0.124***	-0.140***
	(-27.90)	(-20.70)	(-27.38)	(-27.81)	(-20.57)	(-27.34)	(-27.97)	(-20.77)	(-27.41)
Lev	0.00715***	0.00592***	0.00838***	0.00690***	0.00572***	0.00808***	0.00723***	0.00595***	0.00850***
	(4.17)	(2.73)	(4.51)	(4.04)	(2.64)	(4.37)	(4.21)	(2.75)	(4.57)
ROA	-0.0143	-0.00001	-0.0287	0.00576	0.0112	0.000349	-0.0130	0.00293	-0.0289
	(-0.31)	(-0.00)	(-0.58)	(0.13)	(0.19)	(0.01)	(-0.28)	(0.05)	(-0.58)
MTB	-0.319***	-0.244***	-0.393***	-0.328***	-0.245***	-0.411***	-0.330***	-0.244***	-0.416***
	(-6.60)	(-4.00)	(-7.52)	(-6.82)	(-4.03)	(-7.89)	(-6.83)	(-4.01)	(-7.93)
KZ	0.00365***	0.0028*	0.0045***	0.00358***	0.00265*	0.0045***	0.00386***	0.00284*	0.00487***
	(3.07)	(1.86)	(3.50)	(3.02)	(1.77)	(3.51)	(3.24)	(1.89)	(3.78)
Boardsize	0.000686	0.000776	0.000596	0.000505	0.000747	0.000263	0.000536	0.000694	0.000379
	(1.13)	(1.01)	(0.90)	(0.83)	(0.97)	(0.40)	(0.88)	(0.90)	(0.57)
CEOdual	-0.0102**	-0.00839	-0.0121**	-0.0115**	-0.00936	-0.0136***	-0.0101**	-0.00763	-0.0126**
	(-2.25)	(-1.46)	(-2.46)	(-2.53)	(-1.63)	(-2.77)	(-2.22)	(-1.32)	(-2.55)
Cmte	-0.0336***	-0.0137*	-0.0534***	-0.0325***	-0.0132*	-0.0519***	-0.0335***	-0.0135*	-0.0535***
	(-5.60)	(-1.81)	(-8.23)	(-5.45)	(-1.74)	(-8.03)	(-5.59)	(-1.78)	(-8.23)
Year	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y	Y
Country	Y	Y	Y	Y	Y	Y	Y	Y	Y
_cons	0.801***	0.781***	0.821***	0.847***	0.798***	0.897***	0.825***	0.785***	0.865***
	(18.92)	(14.60)	(17.90)	(20.31)	(15.11)	(19.87)	(19.75)	(14.89)	(19.09)
adj. R-sq	0.182	0.127	0.201	0.187	0.128	0.208	0.180	0.127	0.198

*N=6,854 *** p<0.01, ** p<0.05, * p<0.1*

Table 5.6 Hypotheses results

Hypotheses	Independent variable	β value	p Values	Results
H1	Family	0.0186	<0.01	Confirmed
H2	Institutional	-0.079	<0.01	Confirmed
H3	Government	-0.00484	>0.1	Not confirmed

5.5.3 Additional analysis

Tobit regressions

To validate the impact of different types of ownership and control on CSR decoupling, several additional tests were conducted, and are presented below. First, Tobit regressions are applied in models 1, 2, and 3 to examine the relationship between independent variables and the positive and negative CSR gaps, respectively. Similar to the results presented in prior research (Gull et al., 2022), independent variables were found to be less significant when a positive CSR gap applies. Table 5.7 shows that only institutional ownership remains significant with regard to both positive and negative CSR gaps, thus validating H2 that a higher degree of institutional ownership reduces CSR decoupling. Although family firms did not demonstrate a significant relationship with positive CSR gaps, they still have significant influences on negative CSR gaps. Akin to the main results, government-controlled firms still do not have a statistically significant relationship with CSR decoupling.

Table 5.7 Tobit regressions as CSR gap at zero

	Model 1		Model 2		Model 3	
	Positive CSRgap	Negative CSRgap	Positive CSRgap	Negative CSRgap	Positive CSRgap	Negative CSRgap
Family	0.00444	0.0207***				
	(0.49)	(4.04)				
Institownpct			-0.104***	-0.0773***		
			(-5.23)	(-7.38)		
Gov					0.0169	-0.00537
					(1.25)	(-0.79)
Size	-0.127***	-0.132***	-0.125***	-0.132***	-0.128***	-0.133***
	(-13.03)	(-28.09)	(-12.92)	(-28.03)	(-13.09)	(-28.17)
Lev	0.00931**	0.00721***	0.00946**	0.00700***	0.00925**	0.00731***
	(2.25)	(4.23)	(2.29)	(4.11)	(2.24)	(4.28)
ROA	0.0415	-0.0157	0.0639	0.00412	0.0460	-0.0142
	(0.48)	(-0.34)	(0.74)	(0.09)	(0.53)	(-0.31)
MTB	-1.598***	-0.316***	-1.608***	-0.327***	-1.593***	-0.329***
	(-4.79)	(-6.59)	(-4.85)	(-6.84)	(-4.77)	(-6.85)
KZ	0.000216	0.00367***	-0.00138	0.00365***	0.000200	0.00390***
	(0.06)	(3.11)	(-0.40)	(3.10)	(0.06)	(3.30)
Boardsize	0.00303***	0.000558	0.00290***	0.000359	0.00291***	0.000392
	(3.00)	(0.91)	(2.88)	(0.59)	(2.88)	(0.64)
CEOdual	-0.00256	-0.0103**	-0.00426	-0.0114**	-0.00186	-0.0102**
	(-0.33)	(-2.27)	(-0.55)	(-2.51)	(-0.24)	(-2.22)
Cmte	-0.0270**	-0.0343***	-0.0256**	-0.0332***	-0.0265**	-0.0343***
	(-2.47)	(-5.74)	(-2.35)	(-5.57)	(-2.43)	(-5.73)
Year	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y
Country	Y	Y	Y	Y	Y	Y
_cons	0.635***	0.819***	0.677***	0.868***	0.641***	0.846***
	(7.81)	(19.32)	(8.38)	(20.76)	(7.97)	(20.22)
Pseudo R-sq	0.264	-0.747	0.275	-0.766	0.264	-0.738

*N=6,854 *** p<0.01, ** p<0.05, * p<0.1*

Lagged measures and an alternative data source for CSR decoupling

Several robustness tests were used to verify the main results. Lagged measures and an alternative measure of the dependent variable (CSR decoupling) are presented in the analysis in Table 5.7. As distinct types of ownership and control may delay their effect on the CSR gap, it was also essential to estimate the lagged CSR gap. Expectedly, this result was significant and consistent with the main results, presenting strong support for the initial hypothesis. The result shows consistency even if another CSR rating is applied, which is contradict that different rating agencies and their evaluation of CSR performance may diverge from these results (Berg et al., 2022).

Accordingly, this study selected environmental and social scores from Sustainalytics as its alternative source for CSR performance. Sustainalytics provides rankings regarding the environmental and social dimensions, respectively. Environmental performance here is defined as the firm's environmental record, combining its level of environmental preparedness and disclosure and taking into account any environmental controversies in which it is involved. Meanwhile, social performance refers to a firm's social impact, evaluating the quality of policies, programmes, and management systems concerning employees, suppliers, customers, and society while also taking into account societal controversies in which it is involved. Since Sustainalytics began to measure relevant data from 2013, its data are limited. The results shown in Table 5.8 confirm consistency with most of the main results, except that the government variable is not significantly associated with the CSR gap when this alternative source for CSR performance is used. The equivalent results of robustness and main regressions suggest that different providers of ratings for CSR performance do not manipulate the significant relationship between CSR decoupling and family firms or institutional ownership.

Table 5.8 Results for lagged-one-year CSR gap and alternative measure of CSR decoupling

	Lagged CSR gap			Alternative source of CSR gap		
Family	0.0193***			0.0286**		
	(3.53)			(2.32)		
Institownpct		-0.0796***			-0.0563**	
		(-7.07)			(-2.29)	
Gov			-0.00224			-0.0290
			(-0.31)			(-1.37)
Size	-0.133***	-0.131***	-0.134***	-0.117***	-0.117***	-0.117***
	(-26.23)	(-26.11)	(-26.33)	(-10.74)	(-10.77)	(-10.69)
Lev	0.00670***	0.00685***	0.00681***	0.0113**	0.0113**	0.0114**
	(3.82)	(3.93)	(3.87)	(2.41)	(2.41)	(2.42)
ROA	0.0342	0.0720	0.0356	0.0980	0.124	0.101
	(0.71)	(1.50)	(0.73)	(0.72)	(0.91)	(0.74)
MTB	-0.319***	-0.337***	-0.330***	-0.597**	-0.644***	-0.604**
	(-6.34)	(-6.75)	(-6.56)	(-2.39)	(-2.59)	(-2.42)
KZ	0.00404***	0.00396***	0.00422***	0.00630	0.00530	0.00596
	(3.27)	(3.22)	(3.41)	(1.12)	(0.94)	(1.06)
Boardsize	0.000799	0.000564	0.000630	-0.000244	-0.000865	-0.000334
	(1.22)	(0.87)	(0.96)	(-0.20)	(-0.72)	(-0.28)
CEOdual	-0.0156***	-0.0174***	-0.0153***	-0.0203**	-0.0135	-0.0199*
	(-3.21)	(-3.61)	(-3.13)	(-1.97)	(-1.33)	(-1.93)
Cmte	-0.0308***	-0.0302***	-0.0306***	-0.0275**	-0.0260**	-0.0259**
	(-4.91)	(-4.86)	(-4.87)	(-2.13)	(-2.02)	(-2.00)
Year	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y
Country	Y	Y	Y	Y	Y	Y
_cons	0.816***	0.861***	0.842***	0.677***	0.754***	0.713***
	(18.05)	(19.42)	(18.88)	(7.08)	(8.00)	(7.58)
N	6001	6051	6001	2081	2100	2081
adj. R-sq	0.193	0.196	0.191	0.191	0.188	0.189

**** p<0.01, ** p<0.05, * p<0.1*

IV-2SLS

To resolve the possible endogeneity problem, instrumental variables and two-stage least square (2SLS) estimations were consequently examined, as shown in Table 5.9. The generalized method of moments (GMM) estimation was also applied in the first instance; however the Hausman test results for 2SLS and GMM estimations were similar with nearly no difference. The 2SLS approach was taken with two instrumental variables, found to affect a firm's ownership and control type, but not related to CSR decoupling. For these uncorrelated terms, prior studies have suggested that free float shareholdings may influence the formation of a firm's ownership structure (Kim & Jo, 2021) and that insiders may be

influential as to whether a firm is controlled by a family or government, and on the percentage of institutional shareholdings.

Accordingly, the percentage of free float shares and insider shareholdings were thus used as instrumental variables. The first stage results of 2SLS regressions are statistically significant ($p<0.01$) and consistent with the expected relationships. Furthermore, there is no overidentification problem in 2SLS. The second-stage results also present significant associations between ownership type and CSR gap: institutional ownership is likely to reduce CSR decoupling, while in family firms the level of CSR decoupling increases.

Table 5.9 IV-2SLS results of ownership and control on CSR decoupling

	First Stage			Second stage		
	family	institownpct	gov	CSR gap	CSR gap	CSR gap
Family				0.146***		
				(7.92)		
Institownpct					-0.115***	
					(-7.01)	
Gov						-0.0233
						(-0.79)
Size	-0.0249**	0.0136***	0.0488***	-0.126***	-0.132***	-0.131***
	(-2.33)	(2.65)	(5.97)	(-25.34)	(-27.75)	(-26.84)
Lev	0.00208	-0.00296	-0.000356	0.00653***	0.00696***	0.00718***
	(0.54)	(-1.60)	(-0.12)	(3.65)	(4.00)	(4.20)
ROA	0.139	0.200***	-0.226***	-0.0324	0.00268	-0.0179
	(1.37)	(4.13)	(-2.92)	(-0.68)	(0.06)	(-0.39)
MTB	-0.567***	0.0251	-0.245***	-0.248***	-0.245***	-0.333***
	(-5.24)	(0.48)	(-2.94)	(-4.84)	(-4.87)	(-6.88)
KZ	0.0106***	-0.00285**	0.000825	0.00219*	0.00266**	0.00384***
	(3.99)	(-2.21)	(0.40)	(1.75)	(2.18)	(3.24)
Boardsize	-0.00803***	-0.00121*	0.00464***	0.00191***	0.000948	0.000643
	(-5.82)	(-1.82)	(4.38)	(2.91)	(1.53)	(1.02)
CEOdual	0.0146	-0.0164***	-0.0526***	-0.0133***	-0.00429	-0.0115**
	(1.41)	(-3.29)	(-6.64)	(-2.81)	(-0.92)	(-2.29)
Cmte	0.0243*	0.00370	-0.0202*	-0.0346***	-0.0319***	-0.0339***
	(1.79)	(0.57)	(-1.95)	(-5.55)	(-5.25)	(-5.64)
Free float (IV1)	-0.321***	0.158***	-0.331***			
	(-11.76)	(12.00)	(-15.82)			
Insider (IV2)	0.0112***	-0.00597***	-0.00615***			
	(19.79)	(-21.74)	(-14.12)			
Year	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y
Country	Y	Y	Y	Y	Y	Y
_cons	1.206***	0.327***	0.110	0.627***	0.796***	0.823***
	(12.70)	(7.14)	(1.51)	(12.50)	(18.72)	(19.71)
N	6956	7024	6956	6854	6854	6854
adj. R-sq	0.413	0.302	0.362	0.107	0.152	0.180

*** *p<0.01,* ** *p<0.05,* * *p<0.1*

Sub-sample analysis

Table 5.10 describes a sub-sample analysis which splits the sample according to different institutional frameworks, including the existence or otherwise of capitalism in a firm's domicile country and the country's legal origin. The sample is therefore divided into firms belonging to coordinated market economies (CMEs) and those which do not, and those which belong to civil law countries and those which do not. Firms in CMEs may attach more weight to stakeholder value than shareholder value, implying higher CSR performance compared to firms not belonging to a CME. Furthermore, governments classified as being in CMEs are inclined to believe that engagements in CSR reflect positively on their welfare system (Kang & Moon, 2012). Regarding civil law origin, firms under such a legal framework tend to act in line with stakeholders and demonstrate better CSR performance (Liang & Renneboog, 2017).

Results for decoupling in CMEs and civil law countries indicate that different political systems or legal origins did not shape the effect of family control and institutional ownership on CSR decoupling, thus remaining consistent with hypotheses 1 and 2. Coefficients for both family firms and firms under institutional ownership were significant with regard to CSR decoupling in CMEs and others, which is similar to the results for the entire sample. Estimations based on legal origin of the given countries also demonstrated similar results. This consistency with the main results verifies that there is no change in terms of the influence of family control and institutional ownership on CSR decoupling. Different national institutions may help to explain why family firms tend to increase the gap between CSR reporting and performance, while institutional ownership helps to reduce the gap.

Not surprisingly, whether a firm is controlled by a government or not does not have any association with its CSR gap in CMEs and countries of a civil law origin. This may indicate that decoupling behaviour is shaped by other essential factors, instead of government control. However, it is noticeable that government-controlled firms have a significant relationship with the CSR gap in non-CME countries and non-civil-law-origin countries, while government control seems insignificant according to the previous main results and robustness tests. National institutions influence government-controlled firms' decoupling

behaviour, suggesting that firms in non-CMEs and non-civil-law-origin countries would be influenced by whether they are controlled by a government and thus decrease the gap between CSR disclosure and performance. This may be because governments in non-CMEs or non-civil-law-origin countries have a stronger influence on corporate legitimacy, which is in line with H3.

Additional tests for government-controlled firms

In order to construct robust arguments in this sub-sample, Table 5.11 provides all of the robustness checks regarding government-controlled firms under specific institutional settings, including lagged CSR gap, alternative CSR gap measure, and IV-2SLS estimation method.

Compared to all of the insignificant results for the full sample, the government variable presents strong coefficients ($p<0.01$) for all robustness tests. The negative relationship between government-controlled firms and CSR decoupling also supports H2. Along with arguments about legitimacy, monitoring function, and stakeholder orientation, it was found that governments have more power in corporate decisions about CSR in non-CMEs and non-civil-law-origin countries. Under a particular institutional environment, a government may provide legitimacy effectively, leading to less CSR-decoupling behaviour.

Table 5.10 Results for decoupling in CMEs and civil law countries

	CMEs	The rest	CMEs	The rest	CMEs	The rest	Civil law	The rest	Civil law	The rest	Civil law	The rest
Family	0.0197***	0.0194***					0.0240***	0.0222***				
	(3.65)	(2.61)					(4.36)	(2.90)				
Institownpct			-0.0944***	-0.0430***					-0.0932***	-0.0667***		
			(-7.18)	(-3.08)					(-7.09)	(-4.75)		
Gov					0.0143	-0.0310***					-0.0114	-0.0318***
					(1.28)	(-4.25)					(-1.13)	(-4.15)
Size	-0.0938***	-0.0304***	-0.0902***	-0.0284***	-0.0945***	-0.0293***	-0.0888***	-0.0162**	-0.0851***	-0.0142**	-0.0882***	-0.0165**
	(-29.49)	(-4.34)	(-28.17)	(-4.15)	(-29.24)	(-4.19)	(-28.18)	(-2.43)	(-26.80)	(-2.23)	(-27.73)	(-2.49)
Lev	0.00422	0.00237	0.00384	0.00283	0.00404	0.00271	0.00187	0.00155	0.00208	0.00204	0.00176	0.00199
	(1.62)	(1.11)	(1.48)	(1.34)	(1.55)	(1.27)	(0.73)	(0.70)	(0.82)	(0.94)	(0.69)	(0.90)
ROA	0.120**	-0.113	0.137**	-0.0747	0.139**	-0.128*	0.124**	-0.113	0.145**	-0.0701	0.144**	-0.134*
	(1.98)	(-1.62)	(2.26)	(-1.11)	(2.30)	(-1.85)	(2.05)	(-1.58)	(2.40)	(-1.02)	(2.39)	(-1.87)
MTB	-0.386***	-0.115**	-0.343***	-0.137**	-0.392***	-0.130**	-0.461***	-0.0945*	-0.424***	-0.121**	-0.455***	-0.114**
	(-3.35)	(-2.10)	(-2.96)	(-2.55)	(-3.39)	(-2.38)	(-4.07)	(-1.70)	(-3.73)	(-2.23)	(-4.01)	(-2.05)
KZ	0.00315*	-0.00152	0.00313*	-0.00136	0.00331*	-0.00131	0.00299*	-0.00133	0.00297*	-0.00115	0.00298*	-0.000975
	(1.80)	(-1.05)	(1.79)	(-0.95)	(1.88)	(-0.91)	(1.77)	(-0.87)	(1.76)	(-0.76)	(1.76)	(-0.64)
Boardsize	-0.00151**	-0.000740	-0.00202***	-0.00103	-0.00209***	-0.000749	-0.00290***	0.00127	-0.00341***	0.00145	-0.00346***	0.00123
	(-2.29)	(-0.59)	(-3.16)	(-0.83)	(-3.25)	(-0.60)	(-4.45)	(1.01)	(-5.39)	(1.17)	(-5.41)	(0.98)
CEOdual	-0.0147***	0.0186**	-0.0158***	0.0201**	-0.0135**	0.0161*	-0.0135**	0.0150*	-0.0148***	0.0135*	-0.0147***	0.0133
	(-2.75)	(2.21)	(-2.98)	(2.46)	(-2.52)	(1.91)	(-2.50)	(1.79)	(-2.75)	(1.65)	(-2.68)	(1.59)
Cmte	-0.0478***	-0.0267***	-0.0509***	-0.0265***	-0.0457***	-0.0272***	-0.0532***	-0.0421***	-0.0536***	-0.0389***	-0.0493***	-0.0427***
	(-6.54)	(-3.14)	(-6.97)	(-3.17)	(-6.27)	(-3.20)	(-7.65)	(-4.22)	(-7.74)	(-4.03)	(-7.08)	(-4.29)
Year	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
_cons	0.587***	0.0980*	0.605***	0.111*	0.600***	0.115*	0.569***	-0.170***	0.587***	-0.124**	0.579***	-0.161***
	(16.01)	(1.65)	(16.63)	(1.91)	(16.37)	(1.96)	(16.30)	(-2.78)	(16.96)	(-2.06)	(16.64)	(-2.66)
N	5741	1839	5751	1877	5741	1839	5854	1726	5864	1764	5854	1726
adj. R-sq	0.174	0.211	0.178	0.221	0.173	0.217	0.161	0.185	0.165	0.202	0.160	0.189

**** p<0.01, ** p<0.05, * p<0.1*

Table 5.11 Additional tests for government-controlled firms in specific institutional settings

	Lagged CSR gap		Alternative CSR gap		First stage	Second stage	First stage	Second stage
	Non-CMEs	Non-civil law	Non-CMEs	Non-civil law	Non-CMEs		Non-civil law	
Gov	-0.0303***	-0.0274***	-0.0892***	-0.0913***		-0.135***		-0.168***
	(-3.85)	(-3.32)	(-3.27)	(-3.33)		(-3.88)		(-4.28)
Size	-0.0281***	-0.0116	0.0237	0.0165	0.0178	-0.0278***	-0.115***	-0.0309***
	(-3.69)	(-1.61)	(0.99)	(0.71)	(0.77)	(-3.79)	(-5.30)	(-3.74)
Lev	0.00242	0.00220	0.0373	0.0290	0.00402	0.00301	0.00460	0.00246
	(1.11)	(0.98)	(1.58)	(1.18)	(0.57)	(1.35)	(0.64)	(1.03)
ROA	-0.0994	-0.0949	0.203	0.191	-0.527**	-0.175**	-0.819***	-0.234***
	(-1.37)	(-1.27)	(0.82)	(0.76)	(-2.28)	(-2.35)	(-3.48)	(-2.83)
MTB	-0.125**	-0.109*	-0.0693	-0.0804	-0.219	-0.152***	-0.401**	-0.164***
	(-2.20)	(-1.89)	(-0.21)	(-0.25)	(-1.21)	(-2.64)	(-2.21)	(-2.65)
KZ	-0.000602	-0.000576	-0.0201**	-0.0184*	0.00205	-0.00109	0.0110**	0.000330
	(-0.40)	(-0.36)	(-2.02)	(-1.83)	(0.43)	(-0.72)	(2.18)	(0.19)
Boardsize	-0.000818	0.000705	-0.00903***	-0.00792**	0.00291	0.0000313	0.00507	0.00240*
	(-0.62)	(0.53)	(-2.69)	(-2.43)	(0.70)	(0.02)	(1.23)	(1.72)
CEOdual	0.00889	0.00901	0.00776	0.00670	-0.136***	-0.00407	-0.146***	-0.0118
	(0.98)	(1.01)	(0.28)	(0.25)	(-4.82)	(-0.37)	(-5.32)	(-1.03)
Cmte	-0.0281***	-0.0382***	-0.0701***	-0.0724***	-0.0436	-0.0331***	-0.0822**	-0.0549***
	(-3.11)	(-3.69)	(-2.93)	(-3.00)	(-1.54)	(-3.64)	(-2.51)	(-4.85)
Free float (IV1)					-0.209***		-0.226***	
					(-3.54)		(-3.64)	
Insider (IV2)					-0.00868***		-0.00795***	
					(-8.64)		(-7.85)	
Year	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y
_cons	0.167**	-0.146**	-0.261	-0.215	0.361*	0.156**	1.186***	0.128*
	(2.47)	(-2.14)	(-1.44)	(-1.21)	(1.71)	(2.40)	(5.42)	(1.68)
N	1418	1338	359	362	1659	1659	1544	1544
adj. R-sq	0.208	0.180	0.380	0.380	0.195	0.112	0.185	0.011

*** *p<0.01*, ** *p<0.05*, * *p<0.1*

Interaction effects

Moreover, the prominent impact of institutional ownership on CSR-decoupling behaviour may also interdependent with family and government-controlled firms. Institutional investors tend to decrease the CSR gap and pursue closer alignment, which indicates their collective power with regard to monitoring. The results for interaction effects are presented in Table 5.12. Surprisingly, when the models consider institutional ownership and its interaction with family or government, family seems insignificant and, conversely, the government variable has statistical significance at 90%. Strong evidence of the effect of institutional ownership on CSR, environmental, and social gaps also align with the main results. As shown in the table below, the interaction of governments and institutional ownership are positively related to the CSR gap, with statistical significance. However, this positive coefficient of interaction effect does not increase the estimation of the CSR gap after calculating all effects. The results show that only if a firm is controlled by government and has a high level of institutional ownership, will the CSR gap between reporting and reality decrease.

Table 5.12 Interaction effects of family/government-controlled firms and institutional ownership

	CSR gap		E gap		S gap	
Family	0.00225		-0.00365		0.00816	
	(0.21)		(-0.27)		(0.72)	
Institownpct	-0.0806***	-0.0937***	-0.0509***	-0.0593***	-0.110***	-0.128***
	(-5.83)	(-7.89)	(-2.91)	(-3.94)	(-7.37)	(-9.97)
Gov		-0.0269*		0.00703		-0.0609***
		(-1.65)		(0.34)		(-3.45)
Fam* Institownpct	0.0146		-0.000380		0.0297	
	(0.73)		(-0.01)		(1.36)	
Gov* Institownpct		0.0609**		0.0194		0.102***
		(2.35)		(0.59)		(3.65)
Size	-0.130***	-0.131***	-0.122***	-0.123***	-0.138***	-0.139***
	(-27.74)	(-27.89)	(-20.58)	(-20.67)	(-27.21)	(-27.37)
Lev	0.00688***	0.00685***	0.00573***	0.00572***	0.00803***	0.00799***
	(4.03)	(4.01)	(2.65)	(2.64)	(4.35)	(4.32)
ROA	0.00451	0.0100	0.0122	0.0180	-0.00314	0.00206
	(0.10)	(0.22)	(0.21)	(0.31)	(-0.06)	(0.04)
MTB	-0.323***	-0.319***	-0.247***	-0.240***	-0.399***	-0.399***
	(-6.70)	(-6.63)	(-4.05)	(-3.93)	(-7.65)	(-7.66)
KZ	0.00351***	0.00349***	0.00269*	0.00262*	0.00432***	0.00437***
	(2.96)	(2.95)	(1.79)	(1.75)	(3.37)	(3.41)
Boardsize	0.000566	0.000511	0.000711	0.000659	0.000420	0.000364
	(0.93)	(0.84)	(0.92)	(0.86)	(0.64)	(0.55)
CEOdual	-0.0117***	-0.0111**	-0.00930	-0.00822	-0.0142***	-0.0139***
	(-2.58)	(-2.43)	(-1.62)	(-1.43)	(-2.89)	(-2.82)
Cmte	-0.0327***	-0.0327***	-0.0131*	-0.0128*	-0.0524***	-0.0525***
	(-5.48)	(-5.46)	(-1.73)	(-1.69)	(-8.11)	(-8.12)
Year	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y
Country	Y	Y	Y	Y	Y	Y
_cons	0.837***	0.855***	0.803***	0.803***	0.870***	0.906***
	(19.62)	(20.45)	(14.88)	(15.18)	(18.88)	(20.05)
N	6854	6854	6854	6854	6854	6854
adj. R-sq	0.187	0.188	0.128	0.129	0.209	0.209

**** p<0.01, ** p<0.05, * p<0.1*

5.6 Discussion and conclusion

The proposed assumptions of whether family control and institutional ownership affect CSR-decoupling behaviour are supported by the main results. In particular, family firms can increase the level of CSR decoupling to prioritise shareholders' interests and maintain or boost legitimacy. In terms of disclosure, when a family controls the firm, its reputation is coupled with the firm's image, as represented by its reporting, and the firm's legitimacy is also enhanced by better reporting. In fact, family firms are usually interested in pursuing

shareholders' benefits and believe that CSR investments will decrease corporate financial performance and thus harm their share value (Ghoul et al., 2016). Thus, family firms' actual CSR performance differs from their CSR disclosures.

From an institutional ownership perspective, the results support the notion that institutional investors negatively influence not only the CSR gap but also the specific environmental and social gaps correspondingly. As expected, a higher level of institutional ownership in a public firm would reduce the level of CSR decoupling, narrowing the misalignment of corporate disclosure and performance. To be specific, institutional ownership is supervised by its fiduciary and, therefore, it prioritises stakeholders' demands. For stakeholders, the decoupling actions of firms would be considered a loss and substantive actions taken afterwards may merely amount to a cover-up (Walker & Wan, 2012).

Unexpectedly, firms controlled by a government were found not to be inclined to lessen CSR-decoupling behaviour. Among the robustness results, the government variable did not present any significance in this regard. However, in the sub-sample analysis, the diversity of institutional environments implies that the assumptions made in H2 are supported under non-CME or non-civil-law-origin. Meanwhile, firms in these countries may face stronger investor protections along with more unethical behaviour, which results in increased CSR decoupling. Therefore, government power is much stronger in these institutional settings and can significantly narrow the CSR gap. Government-controlled firms perceive themselves as having gained legitimacy through their inherent status as political entities (Hu et al., 2018). Furthermore, the interaction effect emerges when a government controls a firm with a high level of institutional ownership. This interaction may increase CSR decoupling, possibly because when both institutional investors and a government exercise their decisive influence in a firm, the monitoring effect may offset the legitimacy gains.

Notably, social dimension disclosures are decoupled from actual social performance for all three types of ownership, with relatively strong significance and estimated coefficient. This shows that family firms may exhibit a more significant gap between there reporting on social dimensions and performance, which is consistent with their aim to maintain legitimacy in society. The results do not indicate a significant coefficient for families with regard to the environmental gap, which means the disclosure of family firms is more

aligned with their performance. Unlike what Cho et al. (2012) suggest, no difference was found in environmental performance between disclosing and non-disclosing firms.

The findings first contribute to the expansion of CSR studies and provide more evidence of decoupling behaviour. Overall, the results show a similar trend compared to CSR studies, according to which family firms would have a negative impact on CSR and other ownership types would promote CSR. This indicates that family ownership and control dominantly prioritises the shareholders instead of stakeholders, and thus decreases the firm's stakeholder-oriented activities. In contrast, institutional investors and governments are concerned about their stakeholders, which leads to more CSR investments and positively influences CSR performance. Such a tendency also applies to CSR decoupling, highlighting stakeholder theory in CSR studies.

Moreover, both legitimacy and stakeholder interests are pertinent to CSR disclosure research. When a firm decides to decouple its CSR disclosure and performance, it compromises its legitimacy. Thus, better CSR disclosure shows implicit CSR decoupling, meaning a firm with substantial disclosures will not perform as well as it reports (Cho et al., 2012). Since social and environmental disclosures bond a firm and its stakeholders (Gray et al., 1995), enhancing CSR disclosure is regarded as a means of balancing different stakeholders' demands.

In addition, the three dimensions of ownership and control covered here may better explain the internal monitoring mechanism in CSR decoupling. As Marquis and Qian (2014) stated in their decoupling research, the monitoring function can mitigate the level of CSR decoupling and put pressure on firms to perform in line with what they disclose in their CSR reports. Internal monitoring has an irreplaceable function, constraining corporate decoupling behaviour (Sauerwald & Su, 2019). Family firms, institutional investors, and governments each have their own distinctive level of monitoring in corporate governance. For instance, Campbell (2007) suggested that institutional investors carry out an important role in ensuring responsible corporate behaviour. The role played here also means that firms with a higher level of institutional ownership may be truly responsible and mitigate the gap between CSR disclosure and performance, upholding the argument made by this research.

However, there are some research limitations in this paper to be admitted. First, it is a challenging task to evaluate a firm's CSR disclosure level. Only a few rating agencies provide ratings on the level of social and environmental disclosures, rendering it complicated to verify the value of non-financial reporting. Some research looked at whether the corporation issues a CSR report and the CSR report quality to estimate the level of CSR decoupling (Luo et al., 2017; Marquis & Qian, 2014), but those data are limited to companies in China however. Second, a common approach to measuring CSR decoupling has not yet been developed and is limited to the gap between disclosure and performance scores.

Following recent relevant research (García-Sánchez et al., 2021; Gull et al., 2022; Tashman et al., 2019), it seems applicable to measure CSR decoupling by using this simple equation. Still, future research could be devoted to the topic of establishing appropriate measurements to better explain CSR decoupling. Third, the sample is limited to social and environmental data in a specific area. The sample contained some emerging economies, and fewer CSR data were obtainable in these countries. Although sustainable regulations are gradually being implemented in developing countries as well as their developed counterparts, CSR compliance would not have started to take effect until recently. In the coming years, more CSR ratings will become available following changes in regulation.

Chapter 6. From institutional-level to firm-level: CSR and national institutions

6.1 Introduction

Corporate social responsibility (CSR) may vary from one national institutional framework to another. Several studies have investigated that differences in the degree of institutional embeddedness of firms may shape corporate stakeholders' interests, which in turn influences corporate behaviour and resource control (Aguilera & Jackson, 2003; Matten & Moon, 2008). Even when firms in different countries have similar governance structures or similarly stable financial conditions, they may nevertheless act differently on CSR and demonstrate opposite CSR performance despite much of the empirical analysis controlling for country differences (Ghoul et al., 2016; Liang & Renneboog, 2017; Rees & Rodionova, 2015). It is noticeable that the national institution effect, in the form of economic and legal developments, may extinguish the firm's incentive to invest in CSR and may formulate different corporate behaviour. However, does institution-level influence interact with firm-level factors and CSR performance?

To answer questions regarding the extent to which institutions affect CSR and what institutional conditions moderate the relationship between ownership type (family, institutional, and government) and CSR, this research examines the institutional determinants of ownership structure and CSR. This paper in particular aims to extend the CSR conversation and expand the discussion on the institutional effects on firms by providing empirical evidence in stakeholder theory and institutional theory. Based on this theory integration, it is predicted that a firm's CSR is shaped by not only internal governance but also the external environment.

Externally, the economic environment influences the effects of corporate ownership on CSR activities (Jain & Jamali, 2016), while the governance system shapes firms' decision-making behaviour internally and the level of priority they attach to various stakeholder groups (Aguilera & Jackson, 2003). Furthermore, legal developments carry a vital role in ownership and corporate governance discussions. Indeed, different legal regulations result in different ownership structures, for instance countries with insufficient investor protection tend to be characterised by highly-concentrated ownership (Kimber & Lipton,

2005; La Porta et al., 1999). Some scholars have also added that corporations with different ownership structures have different standards for social and environmental issues (Dam & Scholtens, 2012; Zahra et al., 1993) and have varying degrees of influence over CSR.

Prior literature has outlined the direct effects of diverse institutional contexts. For instance, institutional quality shows its moderating effect of uncertain government on stock market (Obenpong Kwabi et al., 2023). However, these influences may have indirect effects on firms' behaviour and attitudes toward CSR. Meanwhile, ownership structure and its stance on corporate governance are possible components that connect both institutions and CSR. Specifically, distinctive firm controllers may affect CSR performance due to reputation or resource control concerns, whereas institutional configurations also shape this relationship. Furthermore, although previous studies have taken into consideration the institutional context when examining ownership, corporate governance, and CSR relationships in Western countries, this may not be applicable to Eastern countries. Corporate governance systems in East Asia are ambiguous, and the existing literature has not explained this coherently.

Generally, this paper extends the conversation on institutional theory and stakeholder theory to explain the relationship between institutions, ownership structure, and CSR. From the institutional perspective, varieties of capitalism and legal origin are supposed to shape corporate governance and CSR individually, as well as the relationship between these two elements. Results demonstrate that both firm-level and institution-level factors significantly affect CSR. Institutional theory helps to explain the negative impact of family control on CSR and the positive impact of coordinated market economies on CSR. Meanwhile, government-controlled firms and institutional investors act in accordance with stakeholder theory and have a positive association with CSR. These impacts are further influenced by national institutions. It is thus essential to consider both levels when testing drivers of CSR in East Asia.

6.2 Literature review and theoretical framework

Internally, corporate governance is narratively defined as a control system reflecting the exercising of power and decision-making (Jamali et al., 2008). The concept of ownership

and control then places a spotlight on the governance system and who owns the right to dominate resource allocation. Prior literature discussing corporate governance has often applied agency theory, which explains the conflict between shareholders and managers and the agency cost of this conflict (Jensen & Meckling, 1976). Managers may be more inclined to consider stakeholders' interests much more than agency cost (Jamali et al., 2008), as they rely on stakeholders to achieve organisational goals efficiently. Furthermore, firms' stakeholder management tends to be committed to reducing agency cost and information asymmetries (Cheng et al., 2014). Some researchers have also suggested that stakeholder management is usually handled in a neutral manner according to conventional agency theory (Aguilera & Jackson, 2003; Cheng et al., 2014; Jamali et al., 2008).

Stakeholder theory highlights the importance of resource allocation to different stakeholders and further explains that the motivation for better CSR is to satisfy stakeholders' interests. Regardless of ownership type, firms still take seriously their social responsibility to satisfy their stakeholders (Carroll, 1991; Clarkson, 1995; Wood, 1991). However, the stakeholder perspective incompletely explains the causal link among ownership, ultimate control and CSR, while some moderators or mediators may be involved in this relationship. For instance, institutional constraints may weaken the convergence of corporate governance and CSR (Jamali et al., 2008) and thus CSR may be more conducive to a certain mechanism of governance system (Kang & Moon, 2012).

Unlike stakeholder theory, institutional theory posits that institutions will restrict or empower firm behaviour on CSR (Banalieva et al., 2015; Graafland & Noorderhaven, 2020). Namely, institutional mechanisms shape the decisions made by the firm according to this firm's main interests (Aguilera & Jackson, 2003). Institutional theory explains that corporations are embedded in institutions that affect their behaviour, whereas CSR is considered as self-regulation that helps to fill institutional voids such as mandatory duty as required by law (Gond et al., 2011). Firms sometimes face institutional pressures that usually come from the possibility of regulatory sanctions which would inevitably result in capital disinvestment (Campbell, 2007). Environmental protection regulation may indirectly cause fewer capital investments and these economic influences are related to resource control. Furthermore, institutional contexts are interrelated with the corporate

governance system. Orlitzky et al. (2017) demonstrated that national-level differences significantly impact a firm's performance in corporate governance rather than on CSR. In addition, prior researchers have also demonstrated that specific market characteristics, such as poor shareholder protection, enhance the separation of corporate ownership and control (Claessens et al., 2000; Jensen & Meckling, 1976; La Porta et al., 1999).

It would be inadequate to articulate the institution-level influence on ownership structure and CSR by using a sole theory. Ownership structure is an important consideration that determines socially-responsible behaviour as well as the consequences for different institutional contexts. Institutions are deeply interrelated with governance systems, impacting on the allocation of different stakeholders' interests and CSR. Furthermore, there is an unresolved issue in the conversation about causal direction. In one review paper (Jain & Jamali, 2016), the multilevel perspective of corporate governance is provided to explain the CSR framework. It also refers to a methodological issue whereby most studies examine the association rather than the causality between corporate governance and CSR.

Accordingly, this research considers a multilevel model comprising institutional theory and stakeholder theory to comprehend how corporate ownership, CSR, and institutions correlate. Firstly, several ultimate corporate controllers have been specified in prior studies, such as a family, government, financial institution, or widely-held corporation (Carney & Child, 2013; Claessens et al., 2000; La Porta et al., 1999). This study tests the former two types and presents the latter two types as institutional investors to articulate the relationships. Secondly, to define what institutions are examined, foundational concepts from prior studies are applied (Ioannou & Serafeim, 2012; Liang & Renneboog, 2017; Orlitzky et al., 2017), but stays within the confines of the legal and political environment of formal institutional mechanisms (Jain & Jamali, 2016).

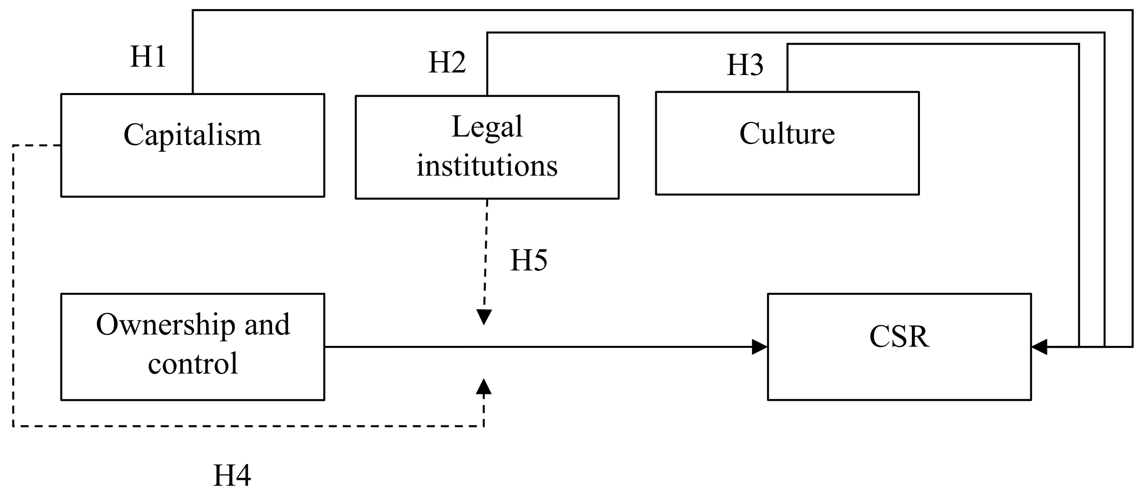
Generally, institutions and their links to either corporate governance or CSR are formed in accordance with institutional theory (Jamali et al., 2008). Placing an emphasis on formal institutions, this research applies the extent to which capitalism is followed and legal system origins. Informal institutions follow dimensions of Hofstede's cultural framework to devise constructs. Institutions affect both CSR and the influence of ownership type on CSR, with direct and indirect impacts. Based on the research question as to what extent

institution-level factors affect CSR and weaken or strengthen the relationship between ownership type and CSR, hypotheses are developed in the following section.

6.3 Hypotheses development

Prior studies have explained that institutions may constrain or empower corporate strategy, formally or informally (Crossland & Hambrick, 2011; Zhou et al., 2017). Formal institutions are usually based on the given legal system, including economic rules and the protection of property rights (Crossland & Hambrick, 2011; North, 1990). Following a multilevel review suggested by Jain and Jamali (2016), it was found that formal institutions shape a country's governance system that in turn encourages or restricts CSR. Conversely, informal institutions are usually assumed as generally in the form of cultural and societal norms. They have shared rules embedded in societal values and determine the extent to which formal institutions are empowered or constrained (Helmke & Levitsky, 2006). As the concept of formal and informal institutions is broad, the following hypotheses only consider institutions that may shape CSR and ownership structure. Figure 6.1 contains the research model for CSR motivation behind country-level factors and possible interactions between institutions and the influence of ownership type on CSR.

Figure 6.1 Research model for institutions, ownership structure, and CSR



6.3.1 Capitalism institutions

As a commonly discussed formal institution, the economic environment is one of the most important factors influencing the effect of ownership structure on CSR (Jain & Jamali, 2016). Matten and Moon (2008) acknowledged that when businesses act in a socially-responsible manner, it is a reflection of the national business system, in which different economies underpin implicit or explicit CSR. The extent to which a country adheres to capitalism, whether it be a liberal market economy (LME) or a coordinated market economy (CME), may also be reflected in the business system. On one hand, prior studies have demonstrated that in LMEs, corporations consider CSR as complementary to shareholder value, with shareholders having primacy over stakeholders (Kang & Moon, 2012). The shareholder primacy of LMEs means that shareholders' profits are given priority ahead of stakeholders' interests. Firms in LMEs tend to receive more agency incentives, which may negatively influence the relationship between ownership type and environmental, social, or governance scores (Rees & Rodionova, 2015).

On the other hand, stakeholder value is much more crucial for firms in CMEs. For instance, firms' CSR actions are motivated by the considerations of society (Kang & Moon, 2012). Since CMEs consider CSR as a way to demonstrate a well-developed welfare system (Kang & Moon, 2012), more firms have been encouraged to engage in CSR. Accordingly, the term "stakeholders" is more expansively defined to include employees, communities, and the environment in the corporate decision-making process. Lopatta et al. (2017) also demonstrated that countries with stakeholder primacy are more engaged in CSR. To be specific, companies in CMEs tend to engage in more CSR activities compared to those in LMEs.

Many studies have verified that the varying extents of capitalism, directly and indirectly, affect a firm's tendency to engage in CSR, but relatively little evidence has demonstrated that firms in CMEs have a negative association with CSR. Hence, whether a firm is in a CME or an LME may affect the primacy of shareholders or stakeholders, and consequently influence CSR behaviour. With the above discussions in mind, this study assumes that

companies in CMEs tend to engage in more CSR activities than those in LMEs. The hypothesis regarding the varying extents of capitalism is presented as follows:

H1: Coordinated market economies (CMEs) are positively associated with CSR, while liberal market economies (LMEs) are negatively associated with CSR.

6.3.2 Legal institutions

Distinctive legal frameworks provide preferential treatment or protections for either shareholders or stakeholders, implying that a country's legal origin fundamentally impacts the extent of shareholder protection (La Porta et al., 2002). Countries with common law origins tend to favour protecting shareholders by allowing CSR to be adopted voluntarily, while countries with civil law origins employ state regulations that oblige firms prompting stakeholders to adopt CSR initiatives (Liang & Renneboog, 2017). As La Porta et al. (2008) introduced, legal origins help to explain the influence of legal regulations on economic and social outcomes. They held that common law countries tend to have more mandatory regulations in place to protect investors and less flexibility than civil law countries.

Common law countries discourage CSR and have the lowest CSR ratings, while Scandinavian law countries (a subgroup of civil law countries) maintain the highest (Liang & Renneboog, 2017). This may be because common law countries provide stronger legal rights for shareholders (Amable, 2003). A high level of shareholder protection discourages corporations from delivering better CSR performance (Ioannou & Serafeim, 2012). Meanwhile, more stringent regulations in this regard may discourage more of a focus on economic benefits and further less on responsible behaviour (Campbell, 2007). Based on the shareholder primacy in common law countries, managers intend to pursue benefits for shareholders ahead of other stakeholders, as costs for the latter may reduce cashflow (Becchetti et al., 2020). In addition, civil law countries are more responsive to disasters and scandals, with less risk of shareholder litigation and more regulation when it comes stakeholder welfare (Liang & Renneboog, 2017). Although civil law countries generally have weaker shareholder protection, other actions are taken by investors in such countries to strengthen their position (Amable, 2003).

However, there are still some arguments against the negative relationship between strong formal institutional contexts and CSR. Rees and Rodionova (2015) suggested that Japan provides higher investor protection but also stands out with respect to social and environmental issues. When there are strong state regulations in place, especially those developed through negotiations among corporations, the state and other stakeholders, corporations are likely to engage in more CSR-related activities (Campbell, 2007). Laws in the cases can powerfully force investors to achieve social expectations about corporate responsibility and the desired CSR standards (Aguilera et al., 2007).

Furthermore, conflicting results have also been shown with respect to the influence of weak institutions on CSR. Countries with weaker institutional environments tend to offer less of a reputational incentive to achieve better CSR performance (Ghoul et al., 2016), while weak institutional environments usually show lower shareholder protections (Ghoul et al., 2016; Sacristán-Navarro et al., 2022). Based on prior studies, weak shareholder protection is usually associated with civil law origins and enhanced agency problems (La Porta et al., 2000). In contrast with civil law origins that positively influence CSR, Ghoul et al. (2016) demonstrated that even with weak investor protection, family firms still decrease CSR performance because of family controller's expropriation of minority shareholders.

Overall, the above arguments provide strong support for the positive relationship between civil law countries and CSR, and the possible rather negative effect of common law origins on CSR. It is challenging to present the precise relationship since less evidence provided from empirical research. Thus, the relationship between different legal origins and CSR is hypothesised as follows:

H2: Civil law countries are positively associated with CSR, while common law countries are negatively associated with CSR.

6.3.3 Culture

Informal institutions can also have a bearing on different CSR actions. On one hand, the national culture may influence the compliance of sustainable commitment. For example, Matten and Moon (2008) argued that firms in the US have a "strong ethic of stewardship

and of giving back to society" (p. 408), in contrast with firms in Europe which they claimed to have "cultural reliance on representative organisations" (p. 408) to act in a socially-responsible way. While conducting the relationship assumption between culture and CSR, it is found that the direction is inconsistent in prior studies (Miska et al., 2018). Furthermore, regarding various types of cultural system, only a few dimensions have been examined that are significantly related to CSR.

On the other hand, organisational culture may impact a firm's sustainable orientation differently. For instance, a firm with open systems or a rational goal culture may help to achieve corporate sustainability (Linnenluecke & Griffiths, 2010). Cultural factors are thus predicted to somewhat affect corporate behaviour and commitments to society. Although culture affects CSR both at the country and firm levels, the research seeks an explanation at the institutional level. Unlike corporate culture, national culture may be related to a country's formal institutions (Helmke & Levitsky, 2006), such as law and policy.

The summary of prior related studies shows that social responsible behaviour is reflected in a individualism, long-term orientation and smaller power distance culture. First, countries with cultures inclined toward individualism or autonomy have higher CSR scores. In particular, individualistic and autonomous societies tend to seek the fulfilment of various stakeholders' expectations, which consequently puts pressure on firms to implement more CSR activities (Cai, Pan & Statman, 2016; Ioannou & Serafeim, 2012).

Second, long-term orientation (LTO) culture holds that firms believe the benefits of CSR exceed the cost. LTO affects different groups of stakeholders and can steer a firm's CSR policy at the societal level. Still, LTO directly influences the level of CSR through management teams who are decisive and vital for companies (Graafland & Noorderhaven, 2020). Third, some studies have examined whether power distance within society influences CSR or not, but no definitive conclusions have been recorded in this regard. If firms have high power distance, which gives managers more decision-making authority, managers might be inclined to maximise their own benefits rather than societal interests. Ringov and Zollo (2007) found that greater power distance was negatively related to CSR performance, but Ho et al. (2011) and Miska et al. (2018) reported the opposite result.

In contrast with the initial assumption of managers' self-interest, neither Cai et al. (2016) nor Ioannou and Serafeim (2012) found a significant relationship between power distance and CSR. However, this feature of a substantial power distance has been widely introduced in many East Asian countries. The concentration of decision-making power held by managers may entrench not only shareholders' benefits but also those of stakeholders. Although there is no apparent connection between the cultural system and corporate ultimate controller, different institutional environment factors are interrelated. Graafland and Noorderhaven (2020) proved this interdependence and showed that culture and institutions have an interactive effect on explaining CSR more robustly. The other three dimensions, namely uncertainty avoidance, masculinity and indulgence, lack sufficient literature evidence to be associated with CSR. Thus, the following hypotheses are developed:

H3a: Countries with a higher level of individualism are positively associated with CSR.

H3b: Countries with LTO are positively associated with CSR.

H3c: Countries with greater power distance are negatively associated with CSR.

6.3.4 Moderating effect of institutions and ownership on CSR

Institutional characteristics, such as economies with poor shareholder protection, enhance the separation of corporate ownership and control (Claessens et al., 2000; Jensen & Meckling, 1976; La Porta et al., 1999). On the other hand, ownership structure also reflects the corporate governance mechanisms within a broader institutional environment (Jain & Jamali, 2016). Prior studies have suggested that corporate governance is a convergence of institutional configurations and CSR (Jamali et al., 2008; Kang & Moon, 2012). This integrating view demonstrates that different institutional environments may moderate the influence of ownership structure on CSR.

To examine the extent to which a country adheres to capitalism contributes to the relationship, this study posits that CMEs will weaken the negative effect of family firms on CSR and strengthen the positive effect of government and institutional ownership on CSR. First, a country with a CME is supposed to support a stakeholder-oriented corporate

governance system (Jain & Jamali, 2016) and subsequently identify that CSR complements corporate governance (Kang & Moon, 2012). Unlike family firms in LMEs which have more incentives and power to restrain CSR expenditures (Rees & Rodionova, 2015), family firms in CMEs tend to allocate resources in line with wider national interests and thus devote more of them to CSR actions. These actions may compensate for their initially negative effect on CSR. Family firms' performance and reputational concerns vary depending on whether they are from stakeholder– or shareholder-oriented countries.

Coordinated capitalism also demonstrates that firms with substantial government or institutional ownership are inclined to reimburse institutional voids and take responsible actions to benefit the public, thus strengthening the positive impact on CSR. Firms in CMEs are under pressure to engage in CSR practices because their relations with stakeholders are part of the much wider and institutionalised discourse (Campbell, 2007; Rees & Rodionova, 2015). Hofman et al. (2017) suggested that instead of concerns over reputation, societal expectations were the main driver of CSR in state-owned enterprises in Chinese capitalism. Thus, the moderating hypotheses are presented below:

H4a: The negative association between family firms and CSR is less pronounced in countries with a coordinated market economy.

H4b: The positive association between institutional ownership and CSR is more pronounced in countries with a coordinated market economy.

H4c: The positive association between a government-controlled firm and CSR is more pronounced in countries with a coordinated market economy.

Under more constructive regulatory pressure, a common law system tends to protect investors more than its civil law counterparts. On one hand, when regulatory institutions are weak, families must act strongly to sustain their business (Peng & Jiang, 2010) and take concentrated control over ownership of a firm (La Porta et al., 1999). Such actions taken by family firms indicate that the firm controller often expropriates other shareholders and thus may decrease investments in CSR (Ghoul et al., 2016). On the other hand, Peng and Jiang (2010) found that families are better self-controlled in a country with more developed regulations on investor protection. In particular, in East Asia the law of a country and its

level of shareholder protection are associated with the family ownership's impact on firm performance. Additionally, institutional theory describes how family reputation and socially-responsible actions are institutionalised in society. If society becomes stringent about these regulations, family firms tend to act responsibly to preserve or enhance their reputations. This means common law origin will weaken family firms' negative impact on CSR while a civil law system will strengthen this negative link.

A firm with a higher level of government ownership may come under more aggravated regulatory pressure (Zhou et al., 2017), whereby government intervention increases the resources allocated by the firm on CSR. In other words, government-controlled firms may not favour CSR activities in countries with weak regulations, which often have civil law origins. Conversely, investors are generally more supportive of CSR in civil law countries compared to common law countries (Liang & Renneboog, 2017). This trend results in a stronger and more positive relationship between institutional ownership and CSR for firms in civil law countries. For example, Bauer et al. (2019) highlighted that institutional investors in civil law countries are financially motivated to pursue CSR to benefit both shareholders and stakeholders in the long term.

H5a: The negative association between family firms and CSR is more pronounced in countries with a civil law system.

H5b: The positive association between institutional ownership and CSR is more pronounced in countries with a civil law system.

H5c: The positive association between government-controlled firms and CSR is more pronounced in countries with a civil law system.

6.4 Research methods

6.4.1 Variables

The dependent variable CSR is the average environmental and social pillar score, which represents CSR performance. Data were collected from Refinitiv ESG scores which

indicate a multidimensional evaluation of 186 metrics for the environmental, social, and governance pillars. Resources used, emissions, and innovation comprise the environmental pillar score, while workforce, human rights, community responsibility, and product responsibility make up the social pillar. Other research variables are classified from institution-level to firm-level factors of CSR. Institution-level variables include: how a country politically influences the economy; how a country regulates the business to protect property and investors; and the status of a country's cultural framework. Meanwhile, firm-level variables contain proxies of corporate governance, ownership, and control, and other firm financial data to control the influence.

Capitalism

The term "capitalism" is classified according to comparative studies across different sectors. There have been many debates over the varying degrees of capitalism, including the dichotomous approach to categorising LMEs and CMEs. Specifically, LMEs and CMEs are the two types of capitalism most commonly used to describe most countries (Hall & Soskice, 2001). The difference between them is built on institutional arrangements which govern finance and labour, such as employees being less organised and without unions in LMEs, while more employee protections and collaborations being present in CMEs.

Following Rees and Rodionova (2015), LMEs and CMEs show their own apparent preference for shareholders or stakeholders, respectively. This classification is similar to Orlitzky et al.'s (2017) national business system clusters, including LMEs and CMEs. After reviewing them in detail, countries such as Australia, Canada, Hong Kong, Singapore, the UK, and the USA were categorised as LMEs. Meanwhile, other countries including Italy, France, Germany, Japan, Spain, Sweden, and Switzerland were classified as CMEs. With regard to countries in East Asia, Hong Kong and Singapore are LMEs, while Japan is a CME based on prior studies (Rees & Rodionova, 2015). Furthermore, combining the findings of Amable (2003) and Hall and Soskice (2001), Taiwan and South Korea can also be identified as CMEs.

Other sample countries, including Indonesia, Malaysia, the Philippines, and Thailand, are more challenging to define. To expand the comparative capitalism literature, Zhang and

Whitley (2013) compared four countries in East Asia, namely Japan, Malaysia, Taiwan, and Thailand, analysing the roles of government and market therein. Furthermore, Witt et al. (2018) broadened the limit to an even 60 countries and classified them into nine business systems. Following prior studies (Witt & Jackson, 2016; Zhang & Whitley, 2013), it has been identified that Malaysia and Thailand have more similarities with LMEs, such as relatively weak industrial relations and unequal power relations. In addition, both have strong investor protection. According to World Bank, Malaysia and Thailand provide greater protection for minority investors. Therefore, they are classified as LMEs, with shareholder primacy. Supported by Witt et al. (2018), Indonesia and the Philippines are in the same cluster as Thailand, with lower levels of GDP per capita. They are all emerging economies. However, World Bank evidence shows that these two countries have lower scores for protecting minority investors, which is similar to the situation in Japan. From a shareholder protection perspective, Indonesia and the Philippines are thus considered CMEs, with stakeholder primacy.

Nevertheless, many relevant studies have shown that the system of dichotomous classification can be subject to criticism when some countries stand somewhere between a liberal market and a coordinated market. For example, Kang and Moon (2012) suggested another type of capitalism between LMEs and CMEs: state-led economies (SLMEs). Moreover, Amable (2003) demonstrated that it would not be enough to describe models of capitalism only in a dichotomy that could not wholly represent all varieties of capitalism. Such classification has highlighted noticeable differences between the types of capitalism practiced in East Asian countries. Therefore, it would be appropriate to use a comparative analysis, including five institutional areas to distinguish the given country's variety of capitalism. These five institutional areas are as follows: product-market competition; the wage-labour nexus; the financial sector, social protection; and the education sector. These distinctive characteristics further help to classify varieties of capitalism, adding social democratic capitalism, Southern European capitalism, and Asian capitalism to the previously dichotomous system (Amable, 2003).

Thus, two other instrumental variables of capitalism are applied in conducting the quantitative model, namely the Economic Freedom (EF) index and state ownership of

assets (both from the Fraser Institute). EF comprehensively covers how a country performs with regard to the freedom enjoyed by the individual to access economic activities and protect their own property. Meanwhile, state ownership of assets is an additional component used to examine the degree of government ownership and control over an asset, helping to determine the degree of democracy in a country and exemplifying some components to also determine which variety of capitalism it follows.

Legal institutions

The second institution-level variable follows La Porta et al. (2008), whereby legal origins influence laws, regulations, and economic outcomes, as well as implying particular consequences for shareholder protection (Peng & Jiang, 2010). Liang and Renneboog (2017) also verified the relationship between a firm's socially-responsible behaviour and legal origins. Typically, legal systems are based on either common or civil law. Common law systems are generally derived from England and its colonies, while the civil law equivalents are mainly derived from Germany or France. In line with the prior classifications (La Porta et al., 2008; Liang & Renneboog, 2017), Japan, South Korea, and Taiwan are German civil law countries. Compared to the German system of civil law, Japan has more regulations on product competition (Marketline, 2021), which indicates that new businesses require to complete more procedures to enter the market. Taiwan's legal framework is fundamentally based on a civil law system and is influenced by Japanese law. Meanwhile, Indonesia's system is commonly classified as French civil law (La Porta et al., 2008), although some argue that the Indonesian legal system is a combination of common and civil law concepts (Mahy, 2013).

Hong Kong, Malaysia, Singapore, and Thailand are common law countries. With powerful government institutions, Malaysia's legal framework is based on British common law, having been colonised by the British in the 19th century. Meanwhile, Singapore's legal system has been based on British common law since it became an independent nation in 1965. Elsewhere, Thailand has a civil law system, but lacks adequate protection for unions, unlike conventional civil law countries. The Philippines has a system of mixed legal origin on account of its eclectic history and development. Prior studies have suggested that the Philippines has a civil legal origin (La Porta et al., 2008; Liang & Renneboog, 2017).

However, according to other research (Mahy & Sale, 2012), the Philippines has a combined legal code based on Spanish civil law and Anglo-American law. Furthermore, it has been comprehensively influenced by American common law especially in its labour laws (Mahy & Sale, 2012).

Similar to capitalist institutions, two other instrumental variables are used to analyse legal systems. Inside the given legal system, the protection of minority investors and the protection of property rights are two elements used to illustrate the nature of formal institutions. Under distinct institutional embeddedness, corporate governance shapes firms' allocation of stakeholder interests (Aguilera & Jackson, 2003). Thus, the instrumental variables for legal origins are protecting minority investors' indicators (collected from World Bank) and protecting property rights (collected from the Fraser Institute).

Cultural institutions

The third country-level variable is a combination of three cultural features examined in prior research (Cai et al., 2016; Graafland & Noorderhaven, 2020; Ioannou & Serafeim, 2012). These three dimensions of Hofstede's cultural system can be accessed in the form of scores on the corresponding website. The first dimension is individualism, defined as "the degree of interdependence a society maintains among its members" (Hofstede & Hofstede, 2005). Of the nine East Asian countries examined, Japan has the highest score for individualism (46) and Indonesia has the lowest (14). The second dimension, LTO, is defined in terms of "every society has to maintain some links with its past while dealing with the challenges of the present and future" (Hofstede & Hofstede, 2005). In this dimension, South Korea scores 100, which means the society is pragmatic and long-term-orientated, while the Philippines scores only 27, indicating that it tends to value short-term results rather than pursuing long-term targets. The third dimension is power distance, defined as "the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally" (Hofstede & Hofstede, 2005). In East Asia, Malaysia has the greatest power distance between its top leaders and the majority of its people. Hofstede's cultural framework also provides three other pillars: uncertainty avoidance; masculinity; and indulgence. These three dimensions are applied as control variables to estimate the cultural institution model. Moreover, a

summary of institution-level variables and descriptive statistics for each sample country is presented in table 6.1 in panel A and panel B respectively.

Table 6.1 Institutional-level variables and descriptive statistics

Panel A

Category	**Measure**	**Measurement**	**Source**
Institutional-level	Capitalism	Define capitalism=1, a firm's domicile country that is categorised as CME	Amable (2003); Hall and Soskice (2001); Rees & Rodionova (2015)
	Economic Freedom index	A comprehensive concept of how the country perform on the economic freedom	Fraser Institute
	State ownership of assets	The degree to which the state owns and controls capital (including land) in the industrial, agricultural, and service sectors. Countries with greater government ownership of assets get lower scores.	Fraser Institute
	Legal origins	Define legal=1, a firm's domicile country that is categorised as civil law country	La Porta et al.(2008); Liang and Renneboog (2017)
	Protecting minority investors scores	The sum of the scores for the extent of conflict of interest regulation index and the extent of shareholder governance index	World bank
	Protection of property rights	Property rights, including over financial assets, are poorly defined and not protected by law (= 1) or are clearly defined and well protected by law (= 7)	Fraser Institute
	Individualism	The degree of interdependence a society maintains among its members.	Hofstede (1997, 2001)
	Long-term orientation	How every society has to maintain some links with its own past while dealing with the challenges of the present and future.	
	Power distance	The extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.	
	Uncertainty avoidance	The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these.	
	Masculinity	What motivates people, wanting to be the best (Masculine) or liking what you do (Feminine).	
	Indulgence	The extent to which people try to control their desires and impulses.	

Panel B: Descriptive statistics of institutions

Variables	**Obs**	**Mean**	**SD**	**Min**	**Max**
Capitalism (CMEs=1)	8017	0.747	0.435	0	1
Economic Freedom index (EF)	8017	7.869	0.544	6.51	7.84
State ownership of assets (SOA)	8017	8.022	1.450	4.37	7.83
Legal origins (Civil Law=1)	8017	0.765	0.424	0	1
Protecting minority investors scores (PMS)	8017	4.274	0.122	4.094345	4.304065
Protection of property rights (POPR)	8017	7.552	1.265	3.67	8.02
Individualism	8017	1.460	0.190	1.146128	1.414973
Long-term orientation (LTO)	8017	1.876	0.146	1.431364	1.944483
Power distance	8017	1.789	0.076	1.732394	1.763428
Uncertainty avoidance (UA)	8017	1.793	0.256	0.90309	1.929419
Masculinity	8017	1.802	0.164	1.531479	1.755875
Indulgence	8017	1.580	0.140	1.230449	1.623249

Ownership and control

Ownership and control is represented by three distinctive proxies. The first and second proxies are two dummy variables, following Chapter 3's methodology of defining family firms and government-controlled firms. Briefly put, family firms are defined as firms where the family is the ultimate controller, while government-controlled firms are state-owned enterprises or majority-owned by government. The third variable is institutional ownership percentage which determines the extent to which a firm's shares hold by institutional investors, instead of the dummy variable of firms controlled by institutional investors as described in Chapter 3. Shareholdings by institutional investors may better explain the moderating effect between country institutions and CSR since law and economic factors attract different levels of investment from institutional investors.

Control variables

The study controls both firm-level and institution-level variables. Meanwhile, the relationship between ownership structure and CSR is controlled based on a financial perspective. For instance, firm size may directly influence CSR performance since larger companies have greater resources to invest in CSR activities (Chen et al., 2020; Neubaum & Zahra, 2006). Other variables such as leverage, market-to-book ratio, and return on assets are included to control for the effect of financial concerns on CSR. In addition to the three dimensions of cultural institutions that will control for country difference, a country's GDP per capita is also included as a control variable. In relevant studies focusing on institutions and CSR (Graafland & Noorderhaven, 2020; Liang & Renneboog, 2017), GDP is an indicator of economic development related to formal institutions and CSR. GDP per capita is indicated according to the logarithm of GDP divided by midyear population.

6.4.2 Sample selection and summary statistics

The sample consists of a total of 8,017 observations across the period of 2010 to 2019, containing publicly-traded companies in the stock market based on their country of domicile in East Asia (Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, or Thailand). As CSR data are limited to varying contexts in these

countries, the sample is unbalanced and restricted. Almost one-third of the sample is from Japan as this country has the highest CSR data availability. The sample distribution by country, industry, and year, along with CSR and ownership and control summary statistics, is collectively shown in table 6.2.

Table 6.2 indicates several interesting trends about CSR performance in the sample. First, firms in South Korea have the highest average CSR score (0.51) of all examined countries, while companies in the Philippines score the lowest with 0.37. Second, the sample distribution in different industries is rather balanced while the highest CSR mean is in the personal care, drug, and grocery sector. Third, across the sample period, it is seen that observations increase year by year, since more firms have become engaged in CSR in recent years. The CSR mean score is much higher in 2019 (0.53) compared to 2010 (0.38). Regarding ownership and control, it is shown that family firms represent 39% of observations, while government-controlled firms account for 15%, and the average institutional ownership in a firm is 0.45.

Table 6.2 Sample distribution by country, industry and year with summary statistics

Variables	Obs	Mean	SD	Min	Max
CSR (by country)	8017	0.449	0.227	0.003	0.464
Hong Kong	878	0.397	0.202	0.007	0.936
Indonesia	293	0.449	0.202	0.044	0.936
Japan	3,480	0.457	0.221	0.008	0.919
Malaysia	445	0.409	0.192	0.042	0.93
Philippines	210	0.37	0.213	0.031	0.883
Singapore	350	0.419	0.222	0.025	0.935
South Korea	906	0.515	0.254	0.016	0.946
Taiwan	1,103	0.429	0.246	0.003	0.938
Thailand	352	0.51	0.221	0.026	0.929
CSR (by industry)					
Automobiles and Parts	362	0.459	0.217	0.019	0.9
Banks	588	0.402	0.231	0.011	0.874
Basic Resources	320	0.422	0.263	0.011	0.897
Chemical	415	0.451	0.192	0.003	0.839
Construction and Materials	381	0.437	0.224	0.021	0.894
Consumer Products and Services	349	0.489	0.227	0.018	0.946
Energy	251	0.519	0.224	0.029	0.936
Financial Services	206	0.436	0.223	0.039	0.918
Food, Beverage and Tobacco	477	0.404	0.234	0.016	0.93
Health Care	311	0.413	0.224	0.028	0.852
Insurance	144	0.551	0.205	0.092	0.883
Industrial Goods and Services	1,367	0.435	0.224	0.008	0.919
Media	72	0.287	0.158	0.03	0.698
Personal Care, Drug and Grocery Stores	88	0.554	0.223	0.048	0.847
Real Estate	521	0.484	0.23	0.024	0.936
Retail	237	0.362	0.219	0.014	0.901
Technology	971	0.499	0.233	0.014	0.938
Telecommunications	284	0.475	0.202	0.069	0.89
Travel and Leisure	221	0.455	0.208	0.026	0.886
Utilities	385	0.437	0.195	0.007	0.864
Other	67	0.338	0.229	0.043	0.798
CSR (by year)					
2010	625	0.376	0.224	0.016	0.934
2011	673	0.384	0.224	0.007	0.913
2012	708	0.402	0.227	0.007	0.921
2013	728	0.402	0.226	0.003	0.936
2014	766	0.413	0.226	0.011	0.935
2015	799	0.441	0.222	0.013	0.917
2016	839	0.465	0.221	0.015	0.946
2017	886	0.485	0.219	0.011	0.938
2018	932	0.514	0.213	0.014	0.929
2019	1,061	0.525	0.215	0.014	0.936
Family	8017	0.389	0.487	0	0
Institutional	8017	0.454	0.22	0	0.45
Government	8017	0.152	0.359	0	0
Size	8017	8.754	1.082	5.358	8.709
Leverage	8017	0.853	1.584	0	0.509
ROA	8017	0.045	0.065	-1.102	0.035
MTB	8017	0.022	0.064	0.001	0.013

6.4.3 Empirical model

Based on the illustration in Figure 6.1, the following equations for Model 1 and Model 2 use "capitalism" and "legal" as the predictors to test H1 and H2 individually. Cultural institutions, control variables, and controls for year and industry are also included in the models.

Model 1 : $CSR_{it} = \beta_0 + \beta_1 Capitalism_{it} + \beta_2 Individulism_{it} + \beta_3 LTO_{it} + \beta_4 Power\ distance_{it} + \beta_5 UA_{it} + \beta_6 Masculinity_{it} + \beta_7 Indulgence_{it} + \beta_8 GDP_{it} + \beta_9 Size_{it} + \beta_{10} Leverage_{it} + \beta_{11} ROA_{it} + \beta_{12} MTB_{it} + \beta_{13} IndustryDummy_{it} + \beta_{14} YearDummy + \varepsilon_{it}$

Model 2 : $CSR_{it} = \beta_0 + \beta_1 Legal_{it} + \beta_2 Individulism_{it} + \beta_3 LTO_{it} + \beta_4 Power\ distance_{it} + \beta_5 UA_{it} + \beta_6 Masculinity_{it} + \beta_7 Indulgence_{it} + \beta_8 GDP_{it} + \beta_9 Size_{it} + \beta_{10} Leverage_{it} + \beta_{11} ROA_{it} + \beta_{12} MTB_{it} + \beta_{13} IndustryDummy_{it} + \beta_{14} YearDummy + \varepsilon_{it}$

To test H3a, H3b, and H3c, individualism, LTO, and power distance are key predictors along with other control variables in Model 3:

Model 3 : $CSR_{it} = \beta_0 + \beta_1 Individulism_{it} + \beta_2 LTO_{it} + \beta_3 Power\ distance_{it} + \beta_4 UA_{it} + \beta_5 Masculinity_{it} + \beta_6 Indulgence_{it} + \beta_7 GDP_{it} + \beta_8 Size_{it} + \beta_9 Leverage_{it} + \beta_{10} ROA_{it} + \beta_{11} MTB_{it} + \beta_{12} IndustryDummy_{it} + \beta_{13} YearDummy + \varepsilon_{it}$

In the Model 4a equation, CSR is the dependent variable while capitalism and family are dummy variables and represent the moderating effect of family control and capitalist institution (*Family*Cap*). Since H4a, H4b, and H4c assume the existence of a moderating effect, different institutions are assumed to moderate the association between ownership structure and CSR. Model 4b and Model 4c test government and institutional variables individually, and their moderating effects (*Institutional*Cap* and *Government*Cap*). Moderators can help find the boundaries and restrictions of existing theory and extend the theory to a constructed explanation of the relationships between variables. Including control variables and cultural institutions, the empirical models are set as follows:

Model 4a : $CSR_{it} = \beta_0 + \beta_1 Capitalism_{it} + \beta_2 Family_{it} + \beta_3 Family * Cap_{it} + \beta_4 Individulism_{it} + \beta_5 LTO_{it} + \beta_6 Power\ distance_{it} + \beta_7 UA_{it} + \beta_8 Masculinity_{it} + \beta_9 Indulgence_{it} + \beta_{10} GDP_{it} + \beta_{11} Size_{it} + \beta_{12} Leverage_{it} + \beta_{13} ROA_{it} + \beta_{14} MTB_{it} + \beta_{15} IndustryDummy_{it} + \beta_{16} YearDummy + \varepsilon_{it}$

Model 4b : $CSR_{it} = \beta_0 + \beta_1 Capitalism_{it} + \beta_2 Institutional_{it} + \beta_3 Institutional * Cap_{it} + \beta_4 Individulism_{it} + \beta_5 LTO_{it} + \beta_6 Power\ distance_{it} + \beta_7 UA_{it} + \beta_8 Masculinity_{it} + \beta_9 Indulgence_{it} + \beta_{10} GDP_{it} + \beta_{11} Size_{it} + \beta_{12} Leverage_{it} + \beta_{13} ROA_{it} + \beta_{14} MTB_{it} + \beta_{15} IndustryDummy_{it} + \beta_{16} YearDummy + \varepsilon_{it}$

$$Model\ 4c: CSR_{it} = \beta_0 + \beta_1 Capitalism_{it} + \beta_2 Government_{it} + \beta_3 Government * Cap_{it} + \beta_4 Individulism_{it} + \beta_5 LTO_{it} + \beta_6 Power\ distance_{it} + \beta_7 UA_{it} + \beta_8 Masculinity_{it} + \beta_9 Indulgence_{it} + \beta_{10} GDP_{it} + \beta_{11} Size_{it} + \beta_{12} Leverage_{it} + \beta_{13} ROA_{it} + \beta_{14} MTB_{it} + \beta_{15} IndustryDummy_{it} + \beta_{16} YearDummy + \varepsilon_{it}$$

Model 5a, Model 5b, and Model 5c are constructed to verify H5a, H5b, and H5c, which assume the relationship between legal origins and CSR, and the moderating effect of different independent variables and legal origins (*Family*Leg*, *Institutional*Leg* and *Government*Leg*). These models also include firm-level controls, industry and year dummies, and control for the country difference using GDP per capita.

$$Model\ 5a: CSR_{it} = \beta_0 + \beta_1 Legal_{it} + \beta_2 Family_{it} + \beta_3 Family * Leg_{it} + \beta_4 Individulism_{it} + \beta_5 LTO_{it} + \beta_6 Power\ distance_{it} + \beta_7 UA_{it} + \beta_8 Masculinity_{it} + \beta_9 Indulgence_{it} + \beta_{10} GDP_{it} + \beta_{11} Size_{it} + \beta_{12} Leverage_{it} + \beta_{13} ROA_{it} + \beta_{14} MTB_{it} + \beta_{15} IndustryDummy_{it} + \beta_{16} YearDummy + \varepsilon_{it}$$

$$Model\ 5b: CSR_{it} = \beta_0 + \beta_1 Legal_{it} + \beta_2 Institutional_{it} + \beta_3 Institutional * Leg_{it} + \beta_4 Individulism_{it} + \beta_5 LTO_{it} + \beta_6 Power\ distance_{it} + \beta_7 UA_{it} + \beta_8 Masculinity_{it} + \beta_9 Indulgence_{it} + \beta_{10} GDP_{it} + \beta_{11} Size_{it} + \beta_{12} Leverage_{it} + \beta_{13} ROA_{it} + \beta_{14} MTB_{it} + \beta_{15} IndustryDummy_{it} + \beta_{16} YearDummy + \varepsilon_{it}$$

$$Model\ 5c: CSR_{it} = \beta_0 + \beta_1 Legal_{it} + \beta_2 Government_{it} + \beta_3 Government * Leg_{it} + \beta_4 Individulism_{it} + \beta_5 LTO_{it} + \beta_6 Power\ distance_{it} + \beta_7 UA_{it} + \beta_8 Masculinity_{it} + \beta_9 Indulgence_{it} + \beta_{10} GDP_{it} + \beta_{11} Size_{it} + \beta_{12} Leverage_{it} + \beta_{13} ROA_{it} + \beta_{14} MTB_{it} + \beta_{15} IndustryDummy_{it} + \beta_{16} YearDummy + \varepsilon_{it}$$

6.4.4 Estimation strategy

Firstly, Table 6.3 presents the Pearson correlation matrix, which helps to check the collinearity problem. The Pearson correlation provides a straightforward interpretation of the strength and direction of the linear association. Positive and significant correlations are found between CSR and capitalism, and between CSR and legal origins, while none of the variables has a high correlation coefficient that may cause collinearity issues in the regression results. Second, following prior studies (Ioannou & Serafeim, 2012; Liang & Renneboog, 2017), while examining the influence of country-level institutions on CSR, estimations are constructed using the ordinary least squares (OLS) model. Model 3 is consequently conducted with OLS estimation.

However, to resolve the endogeneity problem of institution-level variables, the estimation model applies the method of instrumental variables estimation and two-stage least squares (IV-2SLS). The IV-2SLS estimator seems to perform better than other approaches (e.g.

OLS) in dealing with heterogeneity problems. The definitions of instrumental variables of "capitalism" and "legal system" are summarised in section 6.4.1 and table 6.1. To estimate Model 1 and Model 4, the EF index and state ownership of assets (SOA) are two instrumental variables for capitalism, while the protection of minority investors (PMS) and the protection of property rights (POPR) are the two instrumental variables for legal system used to estimate Model 2 and Model 5.

Table 6.3 Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13
1.CSR	1												
2.Fam	-0.134***	1											
3.Instit	0.153***	-0.287***	1										
4.Go	0.050***	-0.337***	0.259***	1									
5.Size	0.267***	-0.115***	0.005	-0.092***	1								
6.Lev	0.029***	-0.057***	-0.035***	0.054***	0.140***	1							
7.ROA	-0.026**	0.088***	0.067***	-0.003	-0.160***	-0.227***	1						
8.MTB	0.009	0.025**	0.014	0.012	-0.128***	0.342***	0.310***	1					
9.Cap	0.066***	-0.143***	-0.211***	-0.396***	0.576***	-0.012	-0.090***	-0.096***	1				
10.EF	-0.031***	-0.026**	0.128***	0.023**	-0.290***	-0.032***	-0.072***	-0.062***	-0.313***	1			
11.SOA	0.027**	-0.334***	-0.006	-0.378***	0.395***	-0.013	-0.144***	-0.128***	0.654***	0.044***	1		
12.Leal	0.117***	-0.196***	-0.211***	-0.316***	0.559***	0.010	-0.078***	-0.082***	0.811***	-0.474***	0.588***	1	
13.PMS	-0.039***	0.313***	0.019*	0.389***	-0.481***	0.011	0.116***	0.096***	-0.832***	0.155***	-0.853***	-0.610***	1
14.POPR	0.033***	-0.308***	0.204***	-0.125***	-0.169***	-0.032***	-0.121***	-0.078***	-0.011	0.760***	0.378***	-0.122***	-0.271***
15.GDP	0.026**	-0.249***	0.033***	-0.181***	-0.072***	-0.001	-0.184***	-0.129***	0.103***	0.687***	0.351***	0.091***	-0.197***
16.Indiv	-0.001	-0.449***	0.197***	-0.256***	0.064***	-0.000	-0.144***	-0.082***	0.280***	0.133***	0.734***	0.186***	-0.713***
17.LTO	0.059***	-0.166***	-0.172***	-0.294***	0.354***	-0.015	-0.128***	-0.120***	0.659***	0.258***	0.435***	0.600***	-0.433***
18.PD	-0.079***	0.285***	0.144***	0.355***	-0.338***	-0.003	0.170***	0.151***	-0.630***	-0.124***	-0.762***	-0.772***	0.595***
19.UA	0.093***	-0.205***	-0.128***	-0.375***	0.537***	0.010	-0.115***	-0.102***	0.787***	-0.461***	0.757***	0.848***	-0.705***
20.Mascul	-0.017	-0.461***	0.163***	-0.274***	0.101***	-0.020*	-0.132***	-0.082***	0.389***	0.219***	0.779***	0.226***	-0.777***
21.Indulge	0.018	-0.172***	-0.105***	-0.085***	-0.070***	0.003	0.022**	0.038***	0.356***	-0.625***	-0.038***	0.400***	-0.273***

	14	15	16	17	18	19	20	21
14.POPR	1							
15.GDP	0.783***	1						
16.Indiv	0.608***	0.459***	1					
17.LTO	0.400***	0.694***	0.168***	1				
18.PD	-0.386***	-0.628***	-0.443***	-0.769***	1			
19.UA	-0.083***	0.070***	0.419***	0.453***	-0.675***	1		
20.Mascul	0.679***	0.491***	0.960***	0.303***	-0.491***	0.403***	1	
21.Indulge	-0.194***	-0.247***	0.148***	0.009	-0.034***	0.252***	0.144***	1

**** p<0.01, ** p<0.05, * p<0.*

6.5 Results

6.5.1 Main results

The main results show diverse relationships, which are supported by earlier empirical findings. From the first stage of the instrumental variables regression (see table 6.4), all instrumental variables are significantly related to the dependent variables. Table 6.5 shows that in each model, the Wald test of weak instruments is rejected ($p<0.05$), meaning the instrumental variables are not weak. Then, Table 6.6 shows the main results for institutions, moderating effects, and CSR. Table 6.7 summarise hypotheses results in a table format.

Hypotheses 1, 2 and 3

Overall, capitalism and cultural institutions are statistically significant which could contribute to an informed estimate of CSR performance. Table 6.5 provides estimations of CSR using institutions as key predictors. The second stage of the 2SLS result for Model 1 supports H1, which means firms in CMEs have positive influences on CSR, while firm-level controls and informal institutions are controlled in Model 1. The regression analysis shows the supported result ($\beta=0.125$, $p<0.01$) about the influence of CMEs on CSR (Capitalism=1). However, the legal origin variable is insignificant ($\beta=0.0322$, $p>0.1$) in Model 2, and civil law system (Legal=1) may not positively impact CSR. Consequently, H2 is not supported by the results.

Among Model 3, six dimensions of cultural institutions are significantly related to CSR while the results do not confirm H3a, H3b, or H3c. Individualism is negatively related to CSR ($\beta=-1.45$, $p<0.01$), LTO also has negative impact on CSR ($\beta=-1.828$, $p<0.01$) and power distance positively influences CSR ($\beta=0.353$, $p<0.01$). Elsewhere, higher levels of individualism and LTO culture is assumed to be positively related to CSR, while a greater power distance is expected to decrease CSR. Opposing results for cultural institutions on CSR have been evidenced in prior literature, such as power distance indicating a negative coefficient in Ringov and Zollo's research (2007), but a positive coefficient in the research by Ho et al. (2011) and Miska et al. (2018).

Table 6.4 First stage of IV-2SLS

	M1	M2	M4a	M4b	M4c	M5a	M5b	M5c
DV	capitalism	legal	capitalism	capitalism	capitalism	legal	legal	legal
Individualism	2.086***	0.789***	1.723***	1.490***	2.032***	0.714***	0.567***	0.776***
	(36.36)	(22.50)	(31.45)	(27.39)	(35.58)	(20.64)	(16.63)	(21.93)
LTO	3.836***	1.273***	3.384***	2.979***	3.735***	1.175***	1.081***	1.268***
	(93.83)	(43.87)	(83.49)	(69.61)	(91.00)	(40.75)	(38.24)	(43.43)
Power Distance	3.555***	-4.478***	2.950***	3.122***	3.519***	-4.323***	-4.008***	-4.446***
	(49.59)	(-192.29)	(42.24)	(47.28)	(49.38)	(-178.28)	(-147.43)	(-181.75)
Uncertainty Avoidance	-0.611***	0.130***	-0.506***	-0.384***	-0.608***	0.136***	0.167***	0.136***
	(-29.29)	(13.66)	(-25.40)	(-19.43)	(-29.26)	(14.48)	(18.29)	(14.11)
Masculinity	-3.470***	-0.597***	-2.757***	-2.696***	-3.399***	-0.568***	-0.455***	-0.601***
	(-52.88)	(-18.12)	(-42.40)	(-43.16)	(-51.95)	(-17.40)	(-14.41)	(-18.13)
Indulgence	1.462***	0.693***	1.294***	1.276***	1.447***	0.665***	0.655***	0.692***
	(63.36)	(84.57)	(58.23)	(59.51)	(63.23)	(81.38)	(83.04)	(83.96)
GDP	-0.771***	-0.817***	-0.689***	-0.553***	-0.738***	-0.775***	-0.695***	-0.806***
	(-31.89)	(-57.39)	(-30.17)	(-24.34)	(-30.62)	(-54.92)	(-49.24)	(-56.11)
Size	0.0329***	0.0656***	0.0328***	0.0321***	0.0341***	0.0621***	0.0585***	0.0640***
	(15.60)	(53.59)	(16.55)	(16.63)	(16.27)	(51.08)	(49.26)	(51.27)
Leverage	-0.00108	-0.00449***	0.000201	-0.00130*	-0.00148*	-0.00379***	-0.00413***	-0.00453***
	(-1.27)	(-8.71)	(0.25)	(-1.68)	(-1.76)	(-7.50)	(-8.44)	(-8.77)
ROA	-0.128***	-0.000675	-0.128***	-0.0944***	-0.132***	-0.00986	-0.0105	-0.00382
	(-6.64)	(-0.06)	(-7.11)	(-5.34)	(-6.93)	(-0.85)	(-0.94)	(-0.32)
MTB	0.000391	0.144***	-0.0126	-0.0209	-0.00406	0.124***	0.122***	0.146***
	(0.02)	(11.43)	(-0.65)	(-1.11)	(-0.20)	(10.13)	(10.22)	(11.59)
Family			-0.0634***			-0.0562***		
			(-15.55)			(-20.10)		
Fam x Cap			0.152***					
			(31.49)					
Fam x Leg						0.0661***		
						(19.90)		
Institutional%				-0.271***		0.0154***	-0.0923***	0.0191***
				(-37.45)		(4.48)	(-18.72)	(5.46)
Ins x Cap				0.368***				
				(39.79)				

Ins x Leg							0.185***	
							(30.35)	
Government					-0.0702***			-0.00955***
					(-15.97)			(-3.18)
Gov x Cap					0.0588***			
					(8.59)			
Gov x Leg								0.0261***
								(6.23)
EF	0.0576***		0.0432***	0.0753***	0.0525***			
	(5.80)		(4.60)	(8.31)	(5.30)			
SOA	0.410***		0.353***	0.332***	0.402***			
	(67.22)		(59.10)	(56.84)	(66.09)			
POPR		-0.0206***				-0.0187***	-0.0184***	-0.0201***
		(-10.43)				(-9.64)	(-9.85)	(-10.14)
PMS		0.656***				0.558***	0.591***	0.640***
		(33.50)				(27.99)	(31.38)	(31.82)
Year	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y
_cons	-11.44***	5.391***	-10.01***	-10.17***	-11.27***	5.636***	4.740***	5.390***
	(-60.98)	(52.13)	(-55.20)	(-58.71)	(-60.43)	(53.92)	(46.29)	(50.04)
N	8149	8149	8062	8104	8062	8017	8104	8017
adj. R-sq	0.951	0.981	0.957	0.960	0.952	0.982	0.983	0.981

*** *p<0.01,* ** *p<0.05,* * *p<0.1*

Table 6.5 Main regressions of institutions on CSR

DV: CSR	Model 1	Model 2	Model 3
Capitalism	0.125***		
	(4.86)		
Legal		0.0322	
		(0.33)	
Individualism	-1.580***	-1.462***	-1.450***
	(-14.36)	(-12.97)	(-13.60)
LTO	-2.254***	-1.853***	-1.828***
	(-18.78)	(-16.65)	(-22.33)
Power Distance	0.451***	0.486	0.353***
	(6.20)	(1.17)	(5.06)
Uncertainty Avoidance	0.281***	0.283***	0.291***
	(9.86)	(7.44)	(10.24)
Masculinity	0.960***	0.986***	0.962***
	(9.99)	(8.19)	(10.03)
Indulgence	0.620***	0.601***	0.626***
	(23.94)	(7.46)	(24.24)
GDP	1.041***	0.890***	0.871***
	(20.29)	(13.17)	(23.17)
Size	0.166***	0.164***	0.166***
	(41.00)	(22.05)	(41.06)
Leverage	-0.00794***	-0.00762***	-0.00777***
	(-4.62)	(-4.30)	(-4.53)
ROA	0.0340	0.00998	0.0110
	(0.87)	(0.26)	(0.28)
MTB	0.341***	0.322***	0.327***
	(8.14)	(7.23)	(7.82)
Year	Y	Y	Y
Industry	Y	Y	Y
_cons	-3.279***	-3.538***	-3.285***
	(-13.71)	(-4.35)	(-13.76)
N	8149	8149	8149
Wald Chi2	2973.48	2966.33	-
adj. R-sq	0.258	0.262	0.264

*** *p<0.01,* ** *p<0.05,* * *p<0.1*

Hypotheses 4 and 5

As it depicts, capitalism retains its significance and positive impact on CSR (β=0.233, p<0.01) while the moderating effect of capitalism and different corporate control types is only evident in Model 4a. Moreover, the coefficient of Fam x Cap (β=-0.0598, p<0.01) for H4a is significant, indicating H4a's relationship is supported. The relationship between family firms and CSR is less pronounced in CMEs. Namely, the findings suggest that family control has a negative impact on CSR, while CME has a positive impact on CSR.

However, the positive effect of CMEs appears to moderate the negative effect of family, resulting in a weaker negative relationship between family control and CSR in countries with CME. On the contrary, there is no significant moderating effect of capitalism on the relationship between either institutional investors and CSR, or government-controlled firm and CSR. H4b and H4c are not confirmed by the results.

Regarding the interaction effect of legal origin on the relationship between ownership and CSR, the result in Model 5a provides evidence of variability between legal origins, and moderating effects. Legal origin does not show significance in Model 2, but its negative coefficient ($\beta=-0,195$, $p<0.1$) in Model 5a shows that the civil law system is negatively related to CSR, which is inconsistent with H2b and H2c. On the other hand, the moderating effect (Fam x Leg) in Model 5a is significant ($\beta=-0,0481$, $p<0.01$) and consistent with H5a, showing that the effect of family firms on CSR is more pronounced in legal systems of civil law origin. In other words, family control and civil law origin both have negative effects on CSR. Furthermore, civil law regulations worsens the negative impact of family control on CSR performance.

In contrast, the insignificant result for the moderating effect of institutional investors and civil law does not support H5b. Meanwhile, it is noticeable that H5c is confirmed whereby civil law origin strengthens the relationship between government-controlled firms and CSR ($\beta=0.0268$, $p<0.1$), although H2 is not confirmed. This means that government control has a positive impact on CSR performance, and the positive effect of government control on CSR is even more significant in regions with civil law origin.

However, the tests for overidentification restrictions in the IV-2SLS estimation strategy reject the null hypothesis which indicates that instruments are uncorrelated with the error terms. This overidentification result supposes that equations with instrumental variables may be unsatisfactory. To confirm the main results and provide solid empirical evidence, the next section applies supplement analysis to explain the relationship between different variables.

Table 6.6 Instrumental variable regressions with moderating effect of institutions on ownership and CSR

DV: CSR	Model 4a	Model 4b	Model 4c	Model 5a	Model 5b	Model 5c
Capitalism	0.233***	0.181***	0.146***			
	(7.33)	(5.55)	(5.48)			
Legal				-0.195*	-0.111	-0.0720
				(-1.66)	(-1.00)	(-0.70)
Family	-0.0433***			-0.0413***		
	(-4.67)			(-3.24)		
Fam x Cap (H4a)	-0.0598***					
	(-4.72)					
Fam x Leg (H5a)				-0.0481***		
				(-3.32)		
Institutional%		0.157***			0.120***	
		(7.70)			(6.12)	
Ins x Cap (H4b)		-0.0381				
		(-1.43)				
Ins x Leg (H5b)					0.000587	
					(0.02)	
Government			0.0522***			0.0293***
			(5.53)			(3.00)
Gov x Cap (H4c)			0.000652			
			(0.05)			
Gov x Leg (H5c)						0.0268*
						(1.89)
Individualism	-1.556***	-1.641***	-1.545***	-1.310***	-1.457***	-1.372***
	(-14.21)	(-14.89)	(-13.94)	(-11.49)	(-13.37)	(-12.04)
LTO	-2.380***	-2.329***	-2.264***	-1.558***	-1.712***	-1.720***
	(-19.44)	(-20.04)	(-18.80)	(-13.09)	(-16.03)	(-15.04)
Power Distance	0.601***	0.379***	0.444***	-0.466	-0.175	0.0829
	(8.05)	(5.22)	(6.07)	(-0.98)	(-0.42)	(0.19)
Uncertainty Avoidance	0.264***	0.283***	0.285***	0.347***	0.333***	0.313***
	(9.23)	(9.65)	(9.92)	(8.71)	(7.90)	(8.05)
Masculinity	0.749***	0.948***	0.923***	0.638***	0.890***	0.878***
	(7.69)	(9.76)	(9.52)	(5.06)	(7.74)	(7.18)
Indulgence	0.547***	0.626***	0.603***	0.742***	0.723***	0.666***

	(20.80)	(23.92)	(23.08)	(8.41)	(8.60)	(8.12)
GDP	1.085***	1.062***	1.044***	0.711***	0.793***	0.818***
	(20.83)	(21.48)	(20.31)	(9.33)	(12.33)	(11.84)
Size	0.159***	0.160***	0.163***	0.174***	0.167***	0.167***
	(39.12)	(39.30)	(39.90)	(21.56)	(22.87)	(22.35)
Leverage	-0.00756***	-0.00697***	-0.00732***	-0.00827***	-0.00733***	-0.00750***
	(-4.42)	(-4.07)	(-4.25)	(-4.74)	(-4.18)	(-4.23)
ROA	0.0501	-0.00163	0.0576	0.0218	-0.0243	0.0317
	(1.28)	(-0.04)	(1.46)	(0.57)	(-0.63)	(0.81)
MTB	0.317***	0.345***	0.341***	0.334***	0.340***	0.333***
	(7.60)	(8.23)	(8.12)	(7.62)	(7.77)	(7.46)
Year	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y
_cons	-2.970***	-3.031***	-3.220***	-1.373	-2.258***	-2.786***
	(-12.37)	(-12.41)	(-13.36)	(-1.47)	(-2.81)	(-3.36)
N	8062	8104	8062	8062	8104	8062
Wald Chi2	3183.13	3108.48	2992.10	3249.73	3126.98	3004.90
adj. R-sq	0.270	0.265	0.260	0.289	0.279	0.270

*** *p<0.01,* ** *p<0.05,* * *p<0.1*

Table 6.7 Hypotheses results

Hypotheses	Explanatory variable	β value	p Values	Results
H1	Capitalism	0.125	<0.01	Confirmed
H2	Legal	0.0322	>0.1	Not confirmed
H3a	Individualism	-1.45	<0.01	Not confirmed
H3b	LTO	-1.828	<0.01	Not confirmed
H3c	Power distance	0.353	<0.01	Not confirmed
H4a	Fam x Cap	-0.0598	<0.01	Confirmed
H4b	Ins x Cap	-0.0381	>0.1	Not confirmed
H4c	Gov x Cap	0.000652	>0.1	Not confirmed
H5a	Fam x Leg	-0.0481	<0.01	Confirmed
H5b	Ins x Leg	0.000587	>0.1	Not confirmed
H5c	Gov x Leg	0.0268	<0.1	Confirmed

6.5.2 Robustness test

The overidentified relationship is where the instrumental variable is greater than endogenous variables instead of providing an exact identification. There are more unknown equations in the overidentified case. Since the problem of overidentification exists in the IV-2SLS tests, the Generalized Method of Moments (GMM) test is applied to the models. This method also controls for endogeneity and reduces the overidentification problem.

The GMM estimations are shown in Table 6.8. In line with the main results, being in a CME increases CSR significantly, while civil law does not demonstrably affect CSR. It is also evident that when a CME or civil law is the moderator of ownership's effect on CSR, the negative effect of family is reduced by the CME institution and civil legal system, respectively. However, the moderator of either CME or civil law does not significantly affect the positive association between institutional ownership and CSR. Noticeably, civil law as a moderator heightens the positive effect of government control on CSR. The GMM results indicate that all weak identification tests are rejected, and Hansen J statistics are provided.

Table 6.8 GMM results of institutions and moderating effects on CSR

DV: CSR	Model 1	Model 2	Model 4a	Model 4b	Model 4c	Model 5a	Model 5b	Model 5c
Capitalism	0.116***		0.218***	0.173***	0.136***			
	(4.28)		(6.84)	(5.08)	(4.94)			
Legal		0.0410				-0.191	-0.102	-0.0701
		(0.41)				(-1.62)	(-0.92)	(-0.68)
Family			-0.0496***			-0.0404***		
			(-5.76)			(-3.34)		
Fam x Cap (H4a)			-0.0560***					
			(-4.63)					
Fam x Leg (H5a)						-0.0513***		
						(-3.72)		
Institutional%				0.156***			0.126***	
				(7.61)			(6.72)	
Ins x Cap (H4b)				-0.0340				
				(-1.23)				
Ins x Leg (H5b)							-0.00524	
							(-0.17)	
Government					0.0570***			0.0321***
					(6.77)			(3.69)
Gov x Cap (H4c)					-0.00271			
					(-0.20)			
Gov x Leg (H5c)								0.0260*
								(1.92)
Individualism	-1.522***	-1.442***	-1.490***	-1.590***	-1.483***	-1.288***	-1.440***	-1.352***
	(-13.29)	(-11.99)	(-13.05)	(-13.89)	(-12.90)	(-10.64)	(-12.43)	(-11.22)
LTO	-2.192***	-1.851***	-2.303***	-2.277***	-2.192***	-1.548***	-1.707***	-1.711***
	(-17.61)	(-15.98)	(-18.57)	(-19.06)	(-17.79)	(-12.56)	(-15.38)	(-14.50)
Power Distance	0.459***	0.541	0.616***	0.397***	0.459***	-0.431	-0.133	0.110
	(6.75)	(1.29)	(9.00)	(5.93)	(6.87)	(-0.91)	(-0.32)	(0.26)
Uncertainty Avoidance	0.278***	0.276***	0.263***	0.282***	0.285***	0.344***	0.327***	0.311***
	(9.94)	(7.26)	(9.36)	(9.72)	(10.15)	(8.54)	(7.76)	(7.93)
Masculinity	0.915***	0.973***	0.694***	0.905***	0.877***	0.617***	0.878***	0.862***
	(9.03)	(7.54)	(6.74)	(8.87)	(8.60)	(4.62)	(7.16)	(6.67)
Indulgence	0.610***	0.594***	0.539***	0.617***	0.594***	0.738***	0.716***	0.664***

	(23.01)	(7.34)	(19.95)	(23.06)	(22.08)	(8.37)	(8.52)	(8.08)
GDP	1.017***	0.893***	1.058***	1.045***	1.019***	0.709***	0.793***	0.816***
	(19.38)	(12.73)	(20.34)	(20.93)	(19.60)	(9.04)	(11.89)	(11.50)
Size	0.164***	0.164***	0.157***	0.158***	0.161***	0.174***	0.167***	0.167***
	(39.97)	(22.16)	(38.57)	(38.00)	(38.90)	(21.81)	(22.86)	(22.45)
Leverage	-0.0066***	-0.0073***	-0.0064***	-0.0056***	-0.00591**	-0.008***	-0.007***	-0.0072***
	(-3.34)	(-3.31)	(-3.36)	(-2.73)	(-2.98)	(-3.70)	(-3.08)	(-3.21)
ROA	0.0480	0.00849	0.0553	0.0134	0.0693	0.0202	-0.0251	0.0271
	(1.00)	(0.18)	(1.18)	(0.27)	(1.42)	(0.43)	(-0.51)	(0.55)
MTB	0.280***	0.311***	0.261***	0.286***	0.271***	0.323***	0.328***	0.324***
	(3.50)	(3.35)	(3.56)	(3.49)	(3.47)	(3.55)	(3.43)	(3.40)
Year	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y
_cons	-3.272***	-3.642***	-2.979***	-3.048***	-3.238***	-1.433	-2.336***	-2.841***
	(-14.52)	(-4.41)	(-13.39)	(-13.30)	(-14.46)	(-1.52)	(-2.86)	(-3.42)
N	8149	8149	8062	8104	8062	8062	8104	8062
Wald chi2	3427.34	3399.58	3944.46	3611.17	3444.05	3898.70	3630.44	3405.65
Hansen-J	81.7149	56.1859	97.1365	76.1239	83.857	48.039	45.2295	49.9741

*** *p<0.01,* ** *p<0.05,* * *p<0.1*

6.6 Discussion and conclusion

This study investigates institution-level influences and the links between institutions, ownership structure, and CSR. Overall, formal and informal institutions are linked with firm-level social and environmental performance. The main 2SLS findings reveal the significance of the relationship between capitalism and CSR, and the moderating effect of capitalism. It is found that a coordinated market has positive influences on CSR, in line with the assumption about CMEs' stakeholder primacy heightening the positive effect on CSR (Kang & Moon, 2012; Lopatta et al., 2017). As supported by institutional theory, national institutions shape different CSR behaviour.

Furthermore, the moderating role of a CME provides evidence that a family controller has less power when the given capitalist system is more stakeholder-oriented (Jain & Jamali, 2016; Rees & Rodionova, 2015). Therefore, a family's negative effect on CSR would be decreased when capitalism is being practiced in a CME. Moreover, a civil law system also weakens the relationship between family control and CSR. These results remain robust when GMM is applied. The significance of cultural institutions adheres to institutional theory, but the direction of each coefficient does not match initial expectations, which may verify the inconsistency of prior literature (Ho et al., 2011; Miska et al., 2018; Ringov & Zollo, 2007).

This study focuses on institutions in East Asia, in contrast to the dominant research subject of Western Europe. As Zaman et al. (2022) mentioned, there are less evidence of non-west countries discussing the national context with corporate governance and CSR. Contributing to extending the conversation on the East Asian system, results support that CSR is expected to be well-performed in institutions adhering to stakeholder primacy. In some cases, CSR has been seen as a shared welfare responsibility when civil society is weak (Gond et al., 2011). Thus, a weaker institutional environment may affect ownership and control in a firm, and change the sort of positive effect it has on CSR (Ghoul et al., 2016).

The existence of national institutions for protecting shareholders may influence whether firms controlled by a family, government, or institutional investors actively invest in CSR.

However, the focus on countries in East Asia also constrains the sample size and variances of variables. The majority of sample firms are CMEs, with three times the number of LMEs. This is because both Japan and Taiwan are classed as CMEs, and have the two largest contributors to the sample. Furthermore, the legal variable also suffers from the same problem of an unbalanced dataset as firms in civil law countries represent three-quarters of the sample.

Reviewing CSR from institution-level to firm-level reveals the differences between countries in CSR. The relationship between ownership structure and CSR is widely examined, but there is not much evidence of the impact of institutions on CSR. In this comprehensive study, variables from both levels are examined to understand why firms take CSR actions and perform CSR better based on stakeholder theory and institutional theory. The integrating view of theories also contributes to the broader literature on corporate governance and CSR.

Nevertheless, some limitations of this research may influence its results. First, limited data availability in CSR is a problem when developing countries are included in the sample. Second, there were some changes made in regulatory and CSR reporting standards during the period, which this study does not take into account in the analysis. Third, more firm-level and institution-level control variables could be added to control for the models. The above-stated shortcomings in the research methods may be improved upon in future research.

Chapter 7. Discussions and conclusions

7.1 Research findings

The main purpose of this thesis is to investigate the extent to which corporate governance (ownership and control) and institutional factors influence CSR in East Asia. Accordingly, three objectives were pursued to answer the research questions, namely the relationship between ultimate control type and CSR performance, the association between ownership, control, and CSR-decoupling behaviour, and institution-level influence on CSR. Empirical papers 1, 2, and 3 have respectively addressed these objectives and present significant findings. Overall, the thesis found that ownership, control, and institutions considerably influence not only CSR performance but also the gap between CSR reporting and performance. These findings confirm most of the hypotheses, which were developed based on relevant theories. A summary of all hypotheses results is shown in Table 7.1.

Table 7.1 Thesis' hypotheses results

Chapter	Hypotheses	Results
Ch4 (Paper1)	H1	Confirmed, negative coefficient of family control on CSR
	H2	Confirmed, positive coefficient of institutional investors control on CSR
	H3	Confirmed, positive coefficient of government control on CSR
Ch5 (Paper2)	H1	Confirmed, positive coefficient of family control on CSR decoupling
	H2	Confirmed, negative coefficient of institutional ownership on CSR decoupling
	H3	Not confirmed
Ch6 (Paper3)	H1	Confirmed, positive coefficient of capitalism on CSR
	H2	Not confirmed
	H3a	Not confirmed
	H3b	Not confirmed
	H3c	Not confirmed
	H4a	Confirmed, weaker negative relationship
	H4b	Not confirmed
	H4c	Not confirmed
	H5a	Confirmed, strengthen negative relationship
	H5b	Not confirmed
	H5c	Confirmed, strengthen positive relationship

In summary, the main results across the three empirical papers demonstrate the powerful influence of family-controlled firms on CSR. The findings of this thesis indicate that when a firm is controlled by a family, it will decrease its performance in relation to society and environment, and increase concerns over greenwashing. The negative effect of family-controlled firms on CSR aligns with those obtained by Ghoul et al. (2016). It seems possible that these results are due to family firms valuing their self-interests above reputational incentives, and seeking to benefit their shareholders rather than society (Abeysekera & Fernando, 2018). This particular finding supports the idea that larger shareholders are less likely to take responsible actions since they perceive that the benefits do not outweigh the costs (Dam & Scholtens, 2013). Specifically, a concentrated ownership structure negatively influences CSR (Dam & Scholtens, 2013; Ducassy & Montandrau, 2015; Lopatta, Jaeschke, Canitz, et al., 2017).

Explaining why family control influences CSR performance, financial concern is also frequently mentioned in relevant studies. The findings suggest that there are fewer incentives for firms to invest in CSR since the cost may exceed the benefit in the short term. When resources are lacking, it is apparent that financial performance would affect resource allocation in the firm. Meanwhile, if the firm has inadequate capital to make prudent strategic decisions and is in an unhealthy economic condition (Campbell, 2007), it may decide to invest less in CSR. In contrast, when the firm has more financial resources, it would be inclined to invest more in CSR activities. Bolstering this argument, it was also found that family control in a firm widens the gap between CSR reporting and actual performance. This finding may be attributable to selective disclosure, whereby a family believes its control in a firm may be jeopardized by revealing the full information (Zaini et al., 2020).

However, the negative influence of a family on CSR is weakened by institutions. The moderating role of a coordinated market economy (CME) and civil law system suggests that the controlling power of a family is reduced when the institutional framework is more stakeholder-oriented (Jain & Jamali, 2016; Rees & Rodionova, 2015). This finding also supports empirical evidence reported by Orlitzky et al. (2017) that national-level factors significantly influence corporate governance. This may be attributed to institutional theory,

according to which institutions may constrain corporate behaviour and its CSR decisions (Aguilera & Jackson, 2003; Graafland & Noorderhaven, 2020). Family control's effect of decreasing CSR performance is thus less pronounced.

On the other hand, positive influences on CSR were found in both firms under institutional ownership and government-controlled firms. The association between institutional ownership and CSR performance is significant in a positive way, suggesting that institutional investors may believe that CSR benefits both reputation (Kim et al., 2019) and corporate finances (Dam & Scholtens, 2012; Nofsinger et al., 2019). When institutional investors are influential in corporate decisions, corporations may be more inclined to adopt more CSR activities (Neubaum & Zahra, 2006). This finding shows that institutional investors pursue stakeholder value, which is attained from higher CSR ratings (Kim et al., 2019). Meanwhile, where there is stakeholder primacy there is greater value attached to CSR since institutional investors are responsible for monitoring corporate behaviour toward stakeholders (Campbell, 2007).

In addition, institutional ownership demonstrates strong significant influences on CSR decoupling. In terms of the gap between CSR reporting and performance, institutional investors are inclined toward alignment instead of divergence between disclosure and reality. A higher level of institutional ownership may increase external monitoring power, thus reducing the possibility of CSR decoupling (Marquis & Qian, 2014). The result also implies that when a firm is controlled by government, higher institutional ownership helps to reduce this gap. Institutional ownership has a robust impact on corporate behaviour, holding an irreplaceable role in benefitting environment and society.

In terms of statistical significance, government-controlled firms have a solid and positive relationship with CSR performance. This finding alludes to the critical role of government in promoting CSR (Knudsen & Moon, 2021; Lopatta, Jaeschke, & Chen, 2017), especially when a government owns large shareholdings in a firm, as its CSR performance will be positively influenced (Dam & Scholtens, 2012). Since a government may prioritise stakeholders to seek political success (Boubakri et al., 2018), government-controlled firms increase CSR performance. In particular, firms in countries with higher protection of

minority investors, government control positively affects CSR. Unlike in less-protected countries, where government control is ineffective with respect to CSR, government control in a firm strongly supports CSR when the wider system tends to protect minority shareholders to prevent the expropriation of major shareholders.

The finding also indicates that government control reduces CSR decoupling, particularly in liberal market economies (LMEs) and common law countries but has no significant relationship with coordinated markets and civil law. This might be because when the institutional setting already provides sufficient legitimacy, government power does not affect the gap. For instance, national regulations may affect how firms attain legitimacy (Luo et al., 2017; Marquis & Qian, 2014). The interactions of government control and institutional ownership increase the gap between CSR disclosure and performance. The reason for this is not clear, but it may be that government controllers and institutional investors have conflicts when it comes to CSR.

From the institution-level perspective, it is discovered that capitalism in a coordinated market system positively affects CSR performance. This result corroborates prior studies (Kang & Moon, 2012; Lopatta, Jaeschke, & Chen, 2017), explaining that stakeholder value motivates corporations to behave in socially responsible ways, especially in CMEs where CSR may be considered a reflection of desirable welfare development. The findings also confirm that coordinated market institutions moderate the negative effect of family control on CSR, while civil law systems also weaken the power of a family in relation to CSR performance. Supported by Rees and Rodionova (2015), families in liberal markets and common law countries have a more negative influence on social performance than those in coordinate markets and civil law countries, indicating that the latter two institutions contribute to families having a less negative effect on CSR. The effects of capitalism and legal system were not found to be direct on CSR performance.

Overall, the image that emerges from the analysis above is of CSR factors being examined, which seems intrinsic to corporate governance. I have established a link between different types of ownership and control in a company and a company's tendency toward CSR. Institutional investors and governments prioritise stakeholders' interests, seeking to

positively influence environment and society alike, while family firms prefer to serve the interests of shareholders and thus negatively affect their responsibilities toward environment and society. What is noticeable here is that the institutional framework occupies a critical position in CSR. Specifically, with direct and indirect effects on CSR, formal institutions are expected to shape CSR.

7.2 Contributions to theory

The thesis highlights some theoretical contributions in relation to the research framework, scrutinising CSR from institution-level to firm-level theories. Through the research findings, it becomes clear that not only are family control, institutional investors, and government control related to CSR, but so too are capitalism, legal institutions, and cultural institutions, either directly or indirectly. The assumption for each relationship is based on different theories including legitimacy, agency, stakeholder, and institutional. The following paragraphs introduce the contributions of each individual theory while three integrative theoretical contributions are subsequently outlined.

Legitimacy theory

Expanding the theory and literature on legitimacy, the thesis examines whether and to what extent ownership and control influence a firm's CSR disclosure being decoupled from its actual performance. Since firms generally perceive transparent disclosure of CSR as increasing legitimacy in society (Cho & Patten, 2007; Gray et al., 1995), the controllers of firms should theoretically report all CSR activities in line with legitimacy assumptions. However, family controllers seem to not pursue legitimacy through more extensive disclosure, showing the significance of increasing the negative CSR gap (i.e. where CSR performance is greater than disclosure). This may also contribute to the feature of selectivity in family firms. Family control seems to be reduced if business share its information with non-family members (Zain et al., 2020). Thus, it is less attractive and motivated for family firms to gain legitimacy through better CSR disclosure.

Institutional investors represent the only ownership type to narrow the CSR gap (i.e. near alignment between disclosure and performance), which demonstrates their monitoring

function in a firm. This alignment also proves that institutional investors may receive legitimacy from CSR disclosure, but they are further afraid of the loss of legitimacy from misalignment between CSR reporting and real actions (García-Sánchez et al., 2021). Although government control does not show the evidence of CSR decoupling, it may be concluded that certain forms of government control pursue CSR for motivations other than legitimacy.

Agency theory

Corporate behaviour with regard to CSR may be motivated or constrained by other factors. When ownership and control matters in the given organisation, it is believed that the agency problem helps to explain the phenomenon of either responsible or irresponsible behaviour. On the basis of agency theory, the thesis explains that agency conflicts between controlling shareholders and managers may be shifted onto the controller and stakeholders. When the controller is a family, firms may prioritise shareholders and decrease CSR activity. Especially in East Asia, family control along with agency problem deliver a lower CSR performance (Ghoul et al., 2016). The conflict between agencies and principles demotivated business to pursue CSR.

In contrast, the positive influence of institutional ownership and government on CSR leads to fewer agency conflicts and also shareholder-stakeholder conflicts. In line with Raelin and Bondy (2013), the conflict between shareholders and stakeholders in society is addressed by the findings of this thesis, which indicates that the influence of agency problem on CSR is noticeable in family-controlled firms. In particular, it has inferred that when a firm is ultimately controlled by either institutional investors or a government, there may be no agency conflicts since both controllers tend to follow stakeholder primacy and their shareholders act for social benefits (Raelin & Bondy, 2013).

Stakeholder theory

Thus, stakeholder primacy may serve as a good explanation for why firms perform well in CSR and who are firms responsible for, with reference to stakeholder theory. Based on the foundation of stakeholder management, firms take responsible actions in order to satisfy their stakeholders. Indeed, the findings contribute to the empirical evidence in stakeholder

theory. Institutional investors and governments prioritise stakeholder benefits and boost CSR performance, which is supported by Akremi et al. (2018), who believe social responsibility could also refer to stakeholder responsibility.

Furthermore, CSR disclosures could be seen as the communication between the business and its stakeholders (Gray et al., 1995), which motivates firms to be responsible for stakeholders. The fact that institutional investors narrow the gap between CSR reporting and performance indicates the importance of stakeholders. Stakeholder theory proves the motivation of corporations revealing CSR and with whom corporations communicate. However, stakeholders may have different interests, leading to conflicts among them. When balancing stakeholders' interests, the controller must consider which part of CSR to invest more in or not. Pertinently, institutional investors and governments may also be considered part of a stakeholder group, thereby ensuring a greater balance of diverse interests.

Institutional theory

Besides, the thesis contributes to institutional theory by providing evidence from East Asia. Prior studies have implied that responsible corporate behaviour is influenced by the institutional context (Aguilera & Jackson, 2003; Campbell, 2007; Matten & Moon, 2008), and this argument is further confirmed by this thesis's examination of the relationship between institutions and CSR. CSR could stand as an interacting role between business and society (Brammer et al., 2012). The position of CSR links to the wider society and environment. Corporations apply CSR to bridge the connection with institutional framework.

In addition, it is found that capitalist institutions could directly and indirectly influence CSR, while legal institutions could only indirectly influence CSR. In CMEs, the link between family firms and CSR is weaker, with family control showing a negative influence and CME framework having a beneficial impact on CSR. Yet, CME framework tends to mitigate the negative family control-CSR connection, showing a less pronounced negative association between family control and CSR in such economies. These results address that laws and regulations may affect CSR but there are some moderating effects inside the

causality. Institutions may empower or restrain corporate behaviour in an unexpected way. Nevertheless, the connection still confirms that institutional theory is applicable in a region of the world outside the West.

However, each individual theory may not fully explain the research findings and answer the research questions. To provide a comprehensive understanding of corporate governance and CSR, three arguments about possible complementary theories and integrations of theories are postulated in the following paragraphs.

First, from the results of Chapter 4 (paper 1), it is found that stakeholder theory could supplement agency theory to explain why different types of ultimate control affect CSR. Agency theory may be connected to the negative influence of family control on CSR performance, but it lacks complete support for the two other forms of ultimate control. Stakeholder theory instead provides that institutional investors and governments tend to prioritise stakeholders when their reputations conflict with financial benefits in the context of CSR decisions.

Second, Chapter 5 (paper 2) provides evidence that legitimacy theory may complement the prior integration of agency and stakeholder theories while examining CSR disclosure and performance. Evidence of family control in CSR decoupling indicates that legitimacy pressures may decouple CSR disclosure from performance. Furthermore, a higher level of institutional ownership in a firm strongly supports the dominant expectation of narrowing the gap since institutional investors may take on a monitoring role to ensure closer alignment between reporting and performance.

Lastly, existing models may fail to take account of the integrated theories of CSR. Institutional theory could take up an important position in CSR studies when considering the national-level effect, but firms still act in line with agency and stakeholder theory while the influence is from institutional to firm level. Going by the results of Chapter 6 (paper 3), institutional factors such as the variety of capitalism and legal system lead to different CSR tendencies. These preferences directly or indirectly affect the conflict between shareholders and stakeholders. The possible mechanism behind CSR being different from

firm to firm and from country to country is consequently posited in accordance with agency, stakeholder, and institutional theories.

In addition to the theoretical contribution, this research also contributes to the review of ownership and control data in East Asia. Although the thesis mainly follows prior methods (Carney & Child, 2013; Claessens et al., 2000) to categorise ultimate control type, the data still present some noticeable trends for East Asian firms. Compared to what Carney and Child (2013) investigated, the thesis found that family-controlled firms represent the majority in Taiwan and South Korea. This pattern could be misleading however since these two countries allow the shareholder list to reveal only the holding company's name instead of the actual beneficial owner. Specifically, many family business groups use private companies to control a public firm, meaning some family-controlled firms were undetected in prior research.

7.3 Contributions to CSR and corporate governance literature in East Asia

The research contributes to enlightening East Asia's CSR and corporate governance literature from two perspectives. First, family control in East Asian corporate governance is seen as the demotivation of CSR because of the agency problem. Several prior studies insisted that family firms prioritise socioemotional wealth while they are in the decision-making process (Berrone et al., 2010; Cruz et al., 2014; Gómez-Mejía et al., 2007; Parra-Domínguez et al., 2021). This priority supports the perspective of preservation of family reputation and intangible assets. It is found that many advocacies of this view are mainly based on Western evidence. The thesis conversely provides Eastern findings to explain family control's agency problem and its negative impact on CSR. Family control's self-interests and expropriations to minority shareholders demotivate CSR activities (Ghoul et al., 2016). Furthermore, the agency problem also highlights the greenwashing concern of East Asian family-controlled firms, who show CSR decoupling behaviour.

Second, CSR and corporate governance are both under institutional influence of empowerments and constraints. In Asia, CSR is implicit rather than explicit (Chapple &

Moon, 2005; Matten & Moon, 2008). This implicit CSR indicates the importance of formal institutions that defining corporate responsibility (Matten & Moon, 2008). In the thesis, it is found that the institutional framework, wherever the nation is, empowers or constrains corporate behaviour on CSR following institutional theory. Compared to existing theoretical research about institutions and CSR, the findings of the thesis provide empirical evidence in East Asia.

By proving the direct and indirect relationship between institutions and CSR, the thesis suggests that corporate governance posits the moderator role within institutional arrangements and business engagements in CSR. What this role further supports is the importance of ownership and control in East Asian corporate governance. When business encounters the conflict of corporate decisions among different stakeholders, family, institutional investors and government may significantly influence decision-making process and then the result on non-financial performance.

7.4 Implications for practice and policy

Practical implications

The research findings overall embolden discussions about CSR and corporate governance implications in terms of both practice and policy. Practical implications can be directed toward external investors and internal managers, which clarifies the possible conflict between shareholders and stakeholders. To be specific, investors and managers follow a distinct primacy of shareholder or stakeholder on CSR-related activities. First, for family-controlled firms, the thesis found that the ultimate controller may constrain CSR investments and tend to enlarge the gap between CSR disclosure and performance. This tendency may be related to the practice of greenwashing. External investors should pay close attention when they examine a firm's CSR performance in East Asia, especially those in LMEs and in a common law system. In contrast, managers in family-controlled firms should focus on the conflict between shareholders and stakeholders, although most family-controlled firms have a member of the family in an executive position.

Second, firms with a higher level of institutional ownership usually perform well on CSR, making them more reputable and more likely to secure sustainable investment. This indicates that external investors who care more about CSR performance and seek to avoid misalignment between reporting and performance would be more inclined to invest in firms where the majority shareholders are institutional investors. However, the positive influence of institutional investors on CSR should be reviewed when a government controls a firm. Empirical evidence shows that the interdependent effects of institutional investors and government control may increase the possibility of CSR decoupling. On the management side, since firms with higher institutional ownership are inclined to prioritise stakeholders' interests, there are fewer conflicts, which may decrease CSR activity. Thus, managers could focus on balancing interests between several stakeholder groups.

Third, government control in a firm increases CSR performance, but it is yet to be determined whether government-controlled firms are less prone to CSR decoupling. External investors should be attentive towards government-controlled firms in CMEs and civil law countries, as the thesis did not find significant relationships between government control and CSR decoupling in those countries. There are possibilities of firms in CMEs and civil law countries incline to increase the gap, while in LMEs and common law countries, government control significantly decreases the CSR gap. This also conveys an important aspect, namely of government-controlled firms being influenced by institutional mechanisms. Thus, either external investors or managers should consider differences in the institutional framework before giving stakeholders primacy. Unlike family and institutional investors, a government may not face a choice between shareholders and stakeholders but should nevertheless be concerned about institutions being embedded inside the firm.

Policy implications

From a policy perspective, the findings of the thesis imply another three possibilities. The first concerns ownership and control issues in corporate governance. Pertinently, empirical findings support the importance of ultimate control in CSR performance and CSR decoupling. For family-controlled firms in particular, their agency problems and

shareholder primacy may become obstacles to achieving sustainability. Since family control decrease CSR performance and enlarge the gap between CSR reporting and performance, the related corporate governance policy should include some supervision when firms are controlled by a family. Furthermore, a review of the ultimate control type may help in the analysis of CSR. The focus here should be not only on doing good things for environment and society, but regulators should also pay close attention to the ultimate controller type.

The second noticeable trend for policymakers to bear in mind is decoupling behaviour, referring to the gap between CSR disclosure and performance. Motivations such as legitimacy and shareholder benefits may increase the possibility of greenwashing. Following the grow of global standards about sustainability reporting, such as ISSB, the speed of adopting these standards may impact CSR reporting. Some country specific regulations on reporting may also affect CSR decoupling. For instance, Taiwanese government did not set the CSR report as a mandatory disclosure. While regulating companies with CSR gap, the government may focus on companies that did not reveal CSR information.

Moreover, the findings and literature review offer implications that institutional pressures, such as regulations and monitoring roles, such as those played by institutional investors, may help to reduce the CSR decoupling phenomenon. Although it has not been conclusively determined that CSR decoupling ought to be taken as a bad sign for firms, the misalignment between what a firm reveals and what it does in reality still requires attention in the course of future regulations.

The last policy implication refers to specific national institutions that may empower CSR. Based on the research findings, a country in which the variety of capitalism takes place in a coordinated economy is more stakeholder-oriented and encourages CSR. This expectation of behaviour implies that the policymaker or government in such countries could support CSR with some incentivisation policy and may easily be able to increase a firm's CSR performance. For example, Japan as a CME country has Guidance for Collaborative Value Creation for corporations along with their investors to communicate

social and environmental issues, showing that the adoption of CSR-related policy may be quicker and more effective in CMEs.

7.5 Research limitations and future research

While this research contributes new perspective on the relationship between corporate governance and CSR, it is limited in terms of CSR data availability. Choosing CSR ratings is challenging since data are less available in East Asian firms or some sources only provide data for shorter periods, such as Sustainalytics. Although Sustainalytics's CSR rating has still been applied in the robustness tests, it only provides social and environmental data after 2013, which decreases the sample size to one-third of the original sample. As demonstrated by Berg et al. (2022), including various ratings in the research could improve the validity of data analysis and verify the proposed statement convincingly.

However, data availability limits the research analysis when it comes to testing more ratings or scores for either CSR performance or CSR disclosure. CSR data limitations may also be attributed to sample country selection, which included both emerging and developed economies. East Asia's lack of CSR data sources was problematic and this may affect the research findings. As there has been much research about CSR in Western countries, scholars there have more reliable data sources to pick from. On the contrary, the relatively few examinations of CSR data of Asian companies may bring into doubt the validity of chosen samples. Applying empirical data to examine which variables affect CSR is still challenging because the evaluation of CSR performance and disclosure is inconsistent and mainly depends on subjective perspective. Thus, future research may seek much constructive method to measure CSR.

Furthermore, regulations about CSR have generally not been implemented in developing countries until recent years, meaning relevant data were only available for more recent years. Due to the global trend of social responsibility, governments in East Asia follow international codes of conduct, such as the Global Reporting Initiative Standards (GRI Standards) and the Task Force on Climate-related Financial Disclosures (TCFD). Moreover, Taiwan has just revealed new regulations regarding risk disclosure on climate

change, using mandatory rules instead of voluntary ones. Therefore, the regulatory effect may not yet have been fully felt.

Third, although this research contributes to distinguish the ultimate control apart from ownership, there are some limitations to admit with respect to data collection. The restrictions of the ownership databases was problematic while collecting and categorising the ultimate control type. Although the Bloomberg database does provide such data, it has been found that some errors emerged in the classification of some corporate and individual names. Furthermore, this ownership data did not allow for a complete presentation of the ultimate controller concept in the thesis. The dataset was manually collected through annual reports and shareholding statistics taken from company websites. Another notable issue in terms of ownership and control data is that a firm's ultimate controller may change slowly and relevant information at a specific time proved hard to find and collect. Therefore, future research regarding corporate ownership and ultimate controller may consider reexamine corporate ultimate control.

Fourth, despite some promising findings in the association with CSR, this research is hindered by some limitations that not all possible effects are considered. There are many reasons for ownership having divergent effects on CSR, making it challenging to find a consistent explanation. For instance, compared to prior studies to have stated that socioemotional wealth encourages family firms to increase CSR activity (Block & Wagner, 2014; Brower & Mahajan, 2013; Labelle et al., 2018; Lamb & Butler, 2018), the thesis found a contrary argument which is also consistent with other research (Dam & Scholtens, 2013; Ghoul et al., 2016; Kim & Lee, 2018; Rees & Rodionova, 2015). This only covers a small proportion of the relevant research, so there might be a larger divergence when scholars use different samples, datasets, and countries.

Fifth, the choice of national institutions also restricts the comprehensiveness of the model deployed to apply institutional theory to CSR. Since the institutional framework is a wide concept that is difficult to define, and as a rather simple classification was used (CMEs and LMEs), the representativeness of institutions may be questionable. Furthermore, the construct of institutions is difficult to quantify. Moreover, a quantitative method may not

be able to fully interpret the influence of institutional mechanisms on CSR. In other words, findings are limited when it comes to providing a complete framework.

There are still several unanswered questions that will need to be addressed to make further progress in relevant CSR and corporate governance research. On one hand, in particular, future research may consider clarifying the causal link between ultimate controller and CSR in other regions. Crucially, the pattern for family-controlled firms in East Asia may not be applied to other countries or regions. On the other hand, the moderating influence of national institutions may have greater significance in other regions. Future research may pay more attention to institution-level variables which may influence CSR. Although country dummies and country GDP are controlled in the model, some omitted variables should perhaps be included in future. The effects of institution-level variables on CSR may be indirect, so future research might also benefit from including more analyses about indirect effects.

Moreover, there is abundant room to determine CSR-related constructs better, such as CSR performance, CSR disclosure, and CSR decoupling. Future research could collect CSR-related data manually to prevent the problem of data availability and narrow the field for manual collection. For instance, instead of using overall CSR performance, future research may examine particular dimensions in environment or society through manually-collected information. This would help to reduce divergence among CSR rating agencies. In addition, there might be other more appropriate methods to calculate CSR decoupling. Indeed, further studies should consider developing other novel approaches to examine this concept.

While the thesis uses CSR term, there are many other related terms such as sustainability and ESG (environment, society and governance). The core value in these constructs may be similar to what CSR refers to. When a firm has corporate social responsibility, it may also target sustainability. Overall, it is important to rethink the core of CSR. Although this thesis discussed CSR is a good thing for the environment and society, bad CSR is something related to shareholder primacy. The concluding concept of CSR is not a dichotomy, but more like a general expression of business and society. By addressing the

influence from institutional-level to corporate governance factor, CSR could be understood more comprehensively. It is also believed that there are more discussions about the cause and effect in CSR in the future research.

Appendix 1: Refinitiv's ESG dimensions

Pillars	Categories	Themes
Environmental	Emissions	Emissions
		Waster
		Biodiversity
		Environmental management systems
	Innovation	Product innovation
		Green revenues, research and development, and capital expenditures
	Resource use	Water
		Energy
		Sustainable packaging
		Environmental supply chain
Social	Community	Community
	Human rights	Human rights
	Product responsibility	Responsible marketing
		Product quality
		Data privacy
	Workforce	Diversity and inclusion
		Career development and training
		Working conditions
		Health and safety

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