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Ownership versus management effects on corporate social responsibility concerns in large family and founder firms

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ABSTRACT

Based on socioemotional wealth theory, we argue that family and founder firms differ from other firms with respect to corporate social responsibility concerns. We further argue that the ownership and management dimensions of founder firms have opposite effects. Using a dataset of large public firms in the US, we show that family and founder ownership is associated with fewer corporate social responsibility concerns (CSR concerns), whereas the presence of a family and founder CEO is associated with greater CSR concerns. We conclude that it is reasonable to distinguish between family and founder firms and their respective ownership and management dimensions when analyzing CSR in large firms.
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Introduction

Family-controlled firms give a high priority to emotion-related goals such as identity, longevity, and the preservation of a positive family image and reputation (Astrachan & Jaskiewicz, 2008; Botero, Thomas, Graves, & Fediuk, 2013; Kepner, 1983; Lee & Rogoff, 1996; Westhead, Cowling, & Howorth, 2001; Zellweger & Astrachan, 2008). Gomez-Mejia, Haynes, Núñez-Nickel, Jacobson, and Moyano-Fuentes (2007) refer to these emotion-related goals as socioemotional wealth. Berrone, Cruz, Gomez-Mejia, and Larraza-Kintana (2010) apply the concept of socioemotional wealth to the environmental performance of family and non-family firms and find that family firms have fewer environmental concerns than do non-family firms. Our paper analyses corporate social responsibility concerns (hereafter CSR concerns) in family, founder and other firms (the latter used as a benchmark group). In doing so, we extend the literature on CSR in family firms (e.g., Berrone et al., 2010; Block & Wagner, 2014; Dyer & Whetten, 2006; Wagner, 2010a; Wiklund, 2006) in two ways: first, we distinguish between family and founder firms and second, we distinguish between the respective ownership and management effects of family and founder firms on CSR concerns.

Our Bayesian analysis shows that both family and founder ownership are associated with *fewer* CSR concerns. The effect of founder ownership, however, is found to be somewhat larger than the effect of family ownership. With respect to the management dimension, our findings indicate that both the presence of a family and a founder CEO is associated with *more* CSR concerns. Thus, family and founder firms seem to go to extremes and have two faces with respect to CSR. Whereas family and founder *ownership* have strong positive effects on CSR, a family and founder CEO has negative effects on CSR.

The remainder of the paper is organized as follows. The next section develops hypotheses regarding CSR concerns in family and founder firms. We then introduce our dataset and method (Bayesian fixed-effects panel regressions). The subsequent section shows our empirical results, which are then discussed in the final section.

Theory and hypotheses

Family ownership and CSR concerns

We argue that family owners care more about corporate reputation than do other firm owners (Block, 2010; Deephouse & Jaskiewicz, 2013). Consequently, they aim to avoid CSR concerns. Our theoretical lens is the concept of socioemotional wealth

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(Gomez-Mejia, Cruz, Berrone, & De Castro, 2011; Gomez-Mejia et al., 2007), through which we argue that family business owners, more than other types of firm owners, gain noneconomic utility from their ownership stake in their firms. This utility includes, among other things, creating and maintaining a positive family image and reputation (Adams, Taschian, & Shore, 1996; Westhead et al., 2001), receiving recognition for social activities and enjoying prestige in the (local) community (Litz & Stewart, 2000; Uhlaner, Goor-Balk, & Masurel, 2004). In this paper, we shall further posit that the desire to preserve socioemotional wealth leads family business owners to care more than other types of firm owners about corporate reputation and CSR concerns. Family owners feel a greater degree of organizational identification and often are also interested in later handing over the firm to other family members (Ashforth & Mael, 1989; Riketta, 2005); in addition, consumers attach higher importance to the reputational aspects of family firms than of other types of firms (Binz, Hair, Pieper, & Baldauf, 2013). Therefore, family owners should be particularly concerned about socioemotional wealth and should be more inclined than other owners to prevent the firm from engage in reputation-damaging actions. Unlike other owners, families as owners are often easily identifiable by society at large and by the local community in which a firm is located. Negative reputation spillovers can occur (e.g., Astrachan, 1988; Carrigan & Buckley, 2008; Uhlaner et al., 2004; Wiklund, 2006). Compared to other types of firm owners, family owners should therefore be more likely to care about their reputations for social responsibility in the community in which their firm is located and should have a higher degree of interest in avoiding being connected to CSR concerns by the general public.

These considerations lead to the following hypothesis:

H1a. Family ownership is associated with a lower number of CSR concerns.

Family CEOs and CSR concerns

The concept of socioemotional wealth has primarily been used in the context of family ownership. However, family firms consist of (at least) two dimensions, namely, family *ownership* and family *management* (Klein, Astrachan, & Smyrnios, 2005). We shall argue that socioemotional wealth concerns and their consequences for CSR also apply to family management, especially when a family CEO is running the firm. Family CEOs identify more strongly with the firm as a social entity than do non-family CEOs, which is why they are more likely to be concerned about corporate reputation. This more intense concern leads them to avoid developments that have a negative effect on corporate reputation (Flanagan & O'Shaughnessy, 2005; Love & Kraatz, 2009; Zyglidopoulos, 2004). Because of a family CEO's strong bond with the firm and its history, he or she is less likely to consider outside options than is a non-family CEO. Family CEOs do *not* compete on the market for executives: therefore, they are less inclined to maximize the firm's financial performance as a signal to the market (Block, 2010; Campbell & Marino, 1994). In addition, because of their family bonds, family CEOs cannot easily leave their firms, which is why they must bear any negative reputation caused by low levels of CSR. Thus, provided the firm is not exposed to the immediate risk of bankruptcy, a family CEO will attempt to avoid actions that damage the firm's reputation. Prior research proposes that family management can lead to a stronger stewardship orientation within a firm (Corbetta & Salvato, 2004), of which a stronger CSR orientation is one element. In addition, the involvement of family members in firm management increases the breadth and extent of interaction between the owning family and the firm's various stakeholders. Assuming that this interaction also increases the CSR demands imposed on the family, the presence of a family member as a CEO should be associated with a stronger avoidance of CSR concerns than occurs in a firm with a non-family CEO. Based on these arguments we propose the following hypothesis:

H1b. The presence of a family CEO is associated with a lower number of CSR concerns.

Founder ownership and CSR concerns

The concept of socioemotional wealth is also not often used in the context of founder ownership. However, founders as owners are similar to families in many aspects of corporate governance. Similar to family owners, founder owners often identify strongly with their firms and their products; they are psychologically attached and committed to their firms (Smith & Miner, 1983; Wasserman, 2006). In addition, founders are often large shareholders in their firms (He, 2008). This strong ownership position together with their deep knowledge about the firm and its business model gives founders as owners a strong influence over corporate strategy. Similar to families as owners, founders as owners are well known to the public and often the public directly associates them with any (positive or negative) firm developments. They are not faceless, anonymous shareholders, and the public associates any negative actions by their firm directly with them as individuals. Therefore, founders as owners will care more than other firm owners about corporate reputation and CSR. Based on these considerations, we posit the following hypothesis:

H2a. Founder ownership is associated with a lower number of CSR concerns.

Founder CEOs and CSR concerns

Recent research, however, also suggests important differences between family and founder firms (Miller, Le Breton-Miller, & Lester, 2011; Miller, Le Breton-Miller, Lester, & Cannella, 2007). Our study of S&P 500 firms shows that founders have created large enterprises. As such, they are unusual individuals. They see themselves more as entrepreneurs rather than as pure administrators of family wealth. Previous research suggests that entrepreneurs as individuals have high levels of internally localized control (Boone, de Brabander, & van Witteloostuijn, 2007; Rotter, 1966), need for achievement (Carland, Hoy, Boulton, & Carland, 1984; McClelland, 1961), risk orientation (Forlani & Mullins, 2000; Sarasvathy, Simon, & Lester, 1998), and overconfidence (Busenitz & Barney, 1997; Koellinger, Minniti, & Schade, 2007). We argue that founders as CEOs have a more entrepreneurial character and are more likely to follow growth-oriented firm strategies relative to professional managers as CEOs. These differences in the character of the CEO and the goals pursued will likely have an influence on how the firm addresses CSR issues. CSR practices in founder-run firms reflect the founder's personality and attitudes. If firm growth is the founder's primary concern, CSR may be perceived as a limiting factor rather than as an ultimate goal in itself. Caring for CSR and corporate reputation is costly and may limit firm growth (Barringer, Jones, & Lewis, 1998; Brammer & Millington, 2008). In their roles as entrepreneurs and CEOs, founder CEOs will avoid investments in CSR that endanger their firms' growth and competitive position.

This argument leads us to the following hypothesis:

H2b. The presence of a founder CEO is associated with a larger number of CSR concerns.

Data and methods

Sample

The empirical part of our study is based on data from the US. The Standard and Poor's 500 firms (as of July 31, 2003) were the starting point for constructing the sample. The date chosen corresponds to an issue of BusinessWeek in which family firms in the S&P 500 were identified (BusinessWeek, 2003). We used that publication as a starting point because it provides useful qualitative information on the ownership structures and management compositions of the family and founder firms covered.

For the S&P 500 firms, we collected detailed data about the firms' ownership structures and management compositions from corporate proxy statements submitted to the US Securities and Exchange Commission (SEC) for the years 1994 through 2002. This information was primarily found in the definitive proxy statement (DEF 14A). We then verified and expanded the data with information from various sources (e.g., Hoover's Handbook of American Business, Forbes List of the 400 Richest Americans, information available on the firms' websites). We were able to distinguish among 14 different categories of firm owners ranging from family and founder ownership to mutual fund or employee ownership (mostly through ESOPs). In a final step, the database Compustat was used to obtain the additional firm data needed for our analyses.

To obtain CSR data, we relied on data from the social performance rating service Kinder, Lydenberg, and Domini (KLD). KLD has rated the social performance of the S&P 500 firms since 1991 and has been referenced in many scientific publications (McWilliams & Siegel, 2000; Waddock & Graves, 1997). The KLD data cover a wide range of activities and outcomes related to CSR and are well suited for analyzing CSR. The KLD data combined with our manually collected data about the firms' ownership and management structures led to an unbalanced panel dataset with 2128 observations from 399 firms. The reduction in the number of observations per firm is due to incomplete KLD data along with the fact that some firms were not listed on the stock market during the entire period of 1994 through 2002.

Variables

Dependent variable

The dependent variable in our analysis, *CSR concerns*, is defined as the sum of community (e.g., tax disputes), diversity (e.g., discrimination), employee (e.g., union relations), environmental (e.g., hazardous waste), non-U.S. operation (e.g., companies in states run by dictators), product (e.g., product safety), and other concerns (e.g., overly high executive pay). KLD rates the firms' social responsibility in each of the above categories on a scale from −2 (major concerns) to 0 (neutral). We recoded these scales into scales ranging from 2 (major concerns) to 0 (neutral). Thus, a high value (low value) of the variable *CSR concerns* corresponds to irresponsible (responsible) social management. We follow prior research (e.g., Dyer & Whetten, 2006; Wagner, 2010b) in aggregating different CSR concerns to arrive at an overall measure of social responsibility.

Independent variables

Going beyond prior research, we incorporate several additional control variables into our analysis and distinguish between family and founder firms. Moreover, we distinguish between the ownership and management dimension of family and founder firms (Block, 2010; Klein et al., 2005).

Variables related to our hypotheses. The variables *ownership by founder* and *ownership by family* are continuous variables and measure the percentages of common equity owned by founders and families, respectively. We define founder owners as owners of firms in which the owner is one of the founders and none of his/her family members are involved as owners. In contrast, family owners are defined as owners in which at least two members of the founding family are active in the firm as owners. The variable *family CEO* is an indicator variable that equals one if a member of the founding family serves as the firm's CEO; the variable *founder CEO* is an indicator variable that equals one if the founder serves as the firm's CEO.

Control variables. To control for industry effects, we include *the mean industry level of CSR concerns* in our analysis. Several studies have revealed that CSR is an industry-specific variable and that not controlling for industry effects may lead to biased results (King & Lenox, 2002; Ziegler, Schröder, & Rennings, 2007). Achievable levels of environmental performance are closely tied to a firm's industry, for example, in terms of air pollution and energy consumption. Additionally, public scrutiny of CSR is industry-specific, and therefore, it can be expected that firms' reactions to scrutiny will also differ across industries. Along with these industry control variables, we include *firm size* as a control variable. The extant literature has shown that firm size influences the level of a firm's environmental or social activities (Lepoutre & Heene, 2006; Orlitzky, 2001). The larger a firm, the higher is its level of CSR engagement. Furthermore, a positive link has been suggested between firm size and visibility, which indirectly affects the firm's level of CSR engagement (Brammer & Millington, 2006; Henriques & Sadorsky, 1996). In sum, it is necessary to control for firm size to avoid an omitted variables bias. *Firm size* is measured by the natural logarithm of a firm's total assets. After firm size, we control for the structure of executive pay. Prior research has shown that *incentive pay* in particular can have sizeable effects on CSR (Berrone & Gomez-Mejia, 2009; McGuire, Dow, & Argheyd, 2003). We also control for *firm age*, the firm's capital structure (variable *debt/equity*), the firm's profitability (variable *return on assets*) and ownership by institutional investors such as large banks, insurance companies or mutual funds. We also control for employee stock ownership (ESOP) and time effects (by including year dummies). All of the variables are described in detail in Table A1 in the appendix.

Results

We test our hypotheses with Bayesian methods, which have become increasingly common in management research (Block, Miller, & Jaskiewicz, 2011; Block, Miller, & Wagner, 2014; Hahn & Doh, 2006; Hansen, Perry, & Reese, 2004; Kruschke, Aguinis, & Joo, 2012). We use Bayesian methods because they allow us to make exact probability statements about the effects of family- and founder-related variables on CSR. For example, we can state the exact probability that family ownership or the presence of a family CEO will lead to fewer CSR concerns relative to other firms without those characteristics and after controlling for the effect of other important variables. Such a statement is not possible with classical methods, which can only make a statement as to whether a particular variable has an effect (i.e., whether the variable is statistically significant). Thus, Bayesian methods can account for the large amount of heterogeneity in the group of family and founder firms (Klein et al., 2005).

Table 1 shows descriptive statistics and a correlation matrix of the variables used in the regressions. Except in the case of the management and ownership variables, there is little correlation among the independent variables. Multicollinearity may only be an issue when distinguishing between the management and ownership dimensions of family and founder firms. The correlation between family ownership (founder ownership) and family management (founder management) is $r = 0.37$ ($r = 0.48$).

Table 1
Descriptive statistics and correlations.

		Min	Max	Mean	Median	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	VIF
1	Social responsibility concerns	0	9	1.97	2																
2	Ownership by founder (in %)	0	0.65	0.01	0	−0.01															1.37
3	Ownership by family (in %)	0	0.78	0.03	0	−0.12	0.08														1.27
4	Founder CEO (dummy	0	1	0.10	0	−0.06	0.48	−0.07													1.41
5	Family CEO (dummy)	0	1	0.07	0	−0.11	−0.06	0.37	−0.09												1.20
6	Ownership by mutual funds (in %)	0	0.60	0.09	0.07	−0.03	−0.08	−0.17	−0.06	−0.01											1.23
7	Ownership by banks and insurance firms (in %)	0	0.46	0.03	0	0.05	−0.05	−0.07	−0.02	−0.07	−0.05										1.05
8	Ownership by employees (ESOP) (in %)	0	0.40	0.02	0	0.06	−0.06	0.01	−0.10	−0.03	−0.14	−0.06									1.07
9	Log (assets)	5.84	13.83	8.87	8.66	0.41	0.01	−0.12	−0.09	−0.07	−0.19	−0.01	0.09								1.74
10	Debt/equity (in %)	0	21.39	0.59	0.20	0.22	−0.04	−0.08	−0.32	−0.03	−0.04	0.07	0.09	0.42							1.27
11	Firm age	1	222	73.94	74	0.11	−0.24	0.02	−0.01	−0.02	−0.14	0.04	0.17	0.30	0.10						1.39
12	Return on assets (in %)	−4.58	0.55	0.05	0.05	−0.14	0.03	0.06	−0.32	0.00	−0.04	−0.03	−0.03	−0.20	−0.12	−0.02					1.08
13	Log(incentive pay)	0	12.58	7.24	7.97	0.11	−0.16	−0.14	−0.01	−0.09	0.06	0.00	0.02	0.20	0.06	0.12	−0.07				1.15
14	R&D expenses/assets	0	0.60	0.03	0	−0.09	0.11	−0.06	−0.13	−0.09	0.06	−0.06	−0.09	−0.29	−0.16	−0.33	0.06	0.03			1.24
15	Advertising expenses/assets	0	0.23	0.01	0	−0.14	−0.02	0.11	−0.04	0.05	0.06	−0.03	−0.01	−0.16	−0.09	0.08	0.12	0.00	−0.05		1.08
16	Industry concerns (mean)	0	6.50	1.95	1.8	0.61	−0.04	−0.11	−0.06	−0.03	−0.03	0.09	0.06	0.31	0.22	0.12	−0.10	0.11	−0.08	−0.13	1.40

Notes: VIF, variance inflation factor (referring to Model IV in Table 2); $N = 2128$ obs.; all correlations above $r = 0.04$ or below $r = -0.04$ have a p-value less than 0.05.

We estimate Bayesian fixed-effects panel regressions. We assume neutral prior distributions. More specifically, for each independent variable we assume a prior distribution that follows a normal distribution with a mean of zero and a standard deviation of one. Table 2 shows our regression results. Generally, the results of Bayesian analyses are distribution functions, called posterior distributions, of the effects of the variables included in the regressions. We report both the medians of these distribution functions and the probability that the respective coefficient will have a positive value.

Model I shows that the variables of *ownership by founder* (median $\beta = -2.10$, probability of $\beta > 0$ is 0.81%) and *ownership by family* (median $\beta = -1.40$, probability of $\beta > 0$ is 0.12%) reduce the number of *CSR concerns* ceteris paribus. The effect of founder ownership is somewhat larger than the effect of family ownership. Model II displays family and founder management effects: both the presence of a *founder CEO* (median $\beta = 0.14$, probability of $\beta > 0$ is 88.62%) and the presence of a *family CEO* (median $\beta = 0.20$, probability of $\beta > 0$ is 97.76%) is associated with increased *CSR concerns* ceteris paribus. Model III includes both the management

Table 2
Bayesian fixed-effects regressions on *CSR concerns*. Dependent variable: Social responsibility concerns (on a scale from 0 to 14).

	Model I		Model II		Model III		Model IV	
	Median coeff.	Prob. coeff. > 0	Median coeff.	Prob. coeff. > 0	Median coeff.	Prob. coeff. > 0	Median coeff.	Prob. coeff. > 0
Ownership by founder (in %)	−2.10	0.81%			−2.32	0.33%	−2.37	0.43%
Ownership by family (in %)	−1.40	0.12%			−1.61	0.01%	−1.55	0.01%
Founder CEO (dummy)			0.11	88.62%	0.15	94.59%	0.15	94.92%
Family CEO (dummy)			0.20	97.76%	0.26	99.28%	0.26	99.92%
Ownership by mutual funds (in %)							0.12	71.70%
Ownership by banks and insurance firms (in %)							0.12	62.77%
Ownership by employees (ESOP) (in %)							−0.71	14.89%
Log (assets)	0.14	99.97%	0.17	100%	0.15	99.98%	0.15	99.91%
Debt/equity	−0.01	22.82%	−0.01	21.22%	−0.01	21.22%	−0.02	19.60%
Firm age/10	−0.05	47.75%	−0.00	31.65%	−0.02	8.24%	−0.04	19.21%
Return on assets (in %)	−4.50	0.15%	−4.60	0.01%	−5.40	0.00%	−4.40	0.01%
Log(incentive pay)	0.00	50.15%	0.00	55.65%	0.00	52.69%	0.00	51.12%
R&D expenses/assets	1.27	96.54%	1.12	94.70%	0.75	95.84%	1.21	95.38%
Advertising expenses/assets	−0.97	15.11%	−0.59	26.72%	−1.61	14.89%	−0.97	16.05%
Industry concerns (mean)	0.76	100%	0.76	100%	0.75	100%	0.76	100%
Year dummies (8 categories)	Included		Included		Included		Included	
Obs. (firms)	2128 (399)		2128 (399)		2128 (399)		2128 (399)	
Obs. per firm: min., mean, max.	1; 5.3; 10		1; 5.3; 10		1; 5.3; 10		1; 5.3; 10	

Notes: We use normally distributed priors with a mean of zero and a standard deviation of one. Number of draws: 22,000 (the first 2000 draws are discarded). The Matlab code used to run the regressions can be requested from the corresponding author. In a different regression, we also used industry dummies to control for industry influences on *CSR concerns*. The results are similar and can be obtained from the authors.

and the ownership variables of family and founder firms in one regression. The results are comparable to the regression results of Models I and II. Model IV also includes the ownership variables *ownership by mutual funds*, *ownership by banks and insurance firms*, and *ownership by employees*. The variable *ownership by employees* reduces the number of CSR concerns (median $\beta = -0.71$, probability of $\beta > 0$ is 14.89%), whereas the variables *ownership by banks and insurance firms* and *ownership by mutual funds* show neutral effects. The effects of the hypothesis-related variables in Model IV are similar to those in the other models. As noted above, we include only those categories of firm ownership for which we had at least 100 firm-year observations as variables in our regressions. As a robustness check, we ran a regression in which we included 14 ownership categories in the regressions (e.g., strategic investors, hedge funds, state ownership, universities, and individual financial investors). The results for our hypothesis-related variables were very similar.

Discussion

Our paper contributes to the discussion of when emotional aspects, particularly in terms of socioemotional wealth, benefit other shareholders, especially in terms of either promoting or hindering CSR (Aguilera, Williams, Conley, & Rupp, 2006; Williamson, Lynch-Wood, & Ramsay, 2006). Our findings extend the results of Dyer and Whetten (2006). We find that family and founder firms differ to some degree with respect to CSR concerns and that the ownership and management dimensions of family and founder firms have opposite effects on CSR. The following two sections discuss both our results and our contributions to the literature.

Family firms and CSR

Our study contributes to the growing literature about CSR in family firms (Block, 2010; Block & Wagner, 2014; Dyer & Whetten, 2006; Litz & Stewart, 2000; O'Boyle, Rutherford, & Pollack, 2010; Uhlaner et al., 2004). The results of our study show that family management (i.e., having a family CEO) and family ownership appear to have different effects on CSR concerns. This supports the argument of Wiklund (2006) that family firms are a heterogeneous group with respect to CSR. Our results show that in their role as owners, families seem to avoid CSR concerns, whereas the presence of a family CEO increases the level of CSR concerns. This finding can be explained by families' different objectives as owners versus managers. Families as owners see the firm as a long-term investment in the family's tradition and heritage (Miller & Le Breton-Miller, 2005). They care about the socioemotional wealth associated with their firm (Gomez-Mejia et al., 2007), which is why corporate reputation is of great importance. In their role as firm owners (and as administrators of family wealth and heritage), they are not involved in the firm's day-to-day operations and thus are less concerned about CSR as a hindering factor in the firm's development. Moreover, relative to other large shareholders such as institutional investors, these firms' owners can be more easily identified by the public as business owners: accordingly, they must bear the consequences if a negative image is associated with their firm (Block, 2010; Westhead et al., 2001; Wiklund, 2006). The situation is different with family members acting as their firms' CEOs. Of course, family CEOs must also bear the negative consequences associated with a negative firm reputation. However, unlike family members in their role as owners, family members in their role as CEOs are also evaluated in terms of operational qualities such as profitability and firm growth. In particular, large non-family shareholders of family-managed firms such as banks or mutual funds will carefully evaluate the performance of family CEOs against the performance of competitors. Often family members are awarded positions as managers because of their status as family members (Allen & Panian, 1982; Bennedsen, Nielsen, Pérez-González, & Wolfenzon, 2007), which is why they may feel under pressure to justify their positions by achieving strong financial results. Ultimately, this may result in compromises with respect to CSR engagement. To summarize, for family members in their role as managers, there exist two counteracting effects: a concern for corporate (and family) reputation versus the pressure to manage the firm in an effective, profitable way. This dual role does not affect families in their role as firm owners.

Founder firms and CSR

Most research on the relationship between entrepreneurship and CSR focuses on CSR in small businesses or start-up firms (Brown & King, 1982; Bucar, Glas, & Hisrich, 2003; Bucar & Hisrich, 2001). Our sample is different and includes only founders of S&P 500 firms such as Oracle's Larry Ellison or Apple's Steve Jobs. These founders are a distinct group of successful, competitive, and growth-oriented entrepreneurs. Thus far, little research exists on the persistence of founder influence on the corporate strategy and organizational behavior of large, public firms (He, 2008; Nelson, 2003). To the best of our knowledge, our study is the first to address CSR behavior in large, public, founder-controlled firms.

Our findings suggest that founder firms differ from other firms with respect to the extent of CSR concerns. We find that relative to other firms, firms with founders as CEOs are associated with *more* CSR concerns. This finding is in line with Miller et al. (2011). The positive association of founder management with the number of CSR concerns may be related to the fact that founders are very ambitious in expanding their business and therefore require that most of the firm's resources be allocated to growth initiatives. Founders have built up the business themselves and follow an entrepreneurial logic to steer their firms—more so than family CEOs confronted by problems related to family altruism (Schulze, Lubatkin, & Dino, 2003), who may see themselves as administrators of family wealth (Miller et al., 2011). Founders as CEOs care primarily about the business and how it can grow and remain competitive. To a lesser degree, they care about the needs of various outside stakeholder groups.

However, founders also have a different side: In their role as firm owners, they have characteristics similar to those of family owners. Neither type of owner is faceless. Compared to other large shareholders such as investment funds, banks, and insurance companies, founders and families can easily be identified by the public as firm owners. Thus, any negative image associated with a firm that has numerous CSR concerns spills over to the owners as individuals or families. Thus, to avoid spillovers from a negative reputation, founders as owners will require the firm to do everything necessary to avoid CSR concerns. In their role as owners, founders care about corporate reputation and their personal image in public. Our results support this line of reasoning. We find that founder ownership is associated with *fewer* CSR concerns; interestingly, this effect is even greater than the effect of *family* ownership, suggesting that the identification of founders with their business is greater for founder owners than for family owners.

Conclusions, limitations, and further research

Our results show that the ownership and management dimensions of founder and family firms have different effects on

the extent of CSR concerns. Whereas founder and family *ownership* reduce the number of CSR concerns, the management dimension of family and founder firms goes in the opposite direction: the presence of family and founder CEOs in firms is associated with more CSR concerns.

Future research could be targeted to analyze the persistence of these CSR differences using samples of smaller firms, privately owned firms or firms outside the US. The latter would be particularly interesting because contrary to our results, the extant research suggests that family firms have a *negative* effect on economic development and welfare in emerging countries (Fogel, 2006). More qualitative research is needed to better understand the motivations behind the CSR behavior of families and founders as owners or managers. In particular, the specific roles of family, longevity, growth orientation and organizational and entrepreneurial identity in determining CSR behavior should be further explored. Another avenue of further research concerns the effect of transgenerational control intentions with respect to the CSR behavior of founder firms. A founder who intends to transfer his or her firm to the family may stress the importance of CSR differently than a founder who wants to sell the firm to outsiders. Finally, although our fixed-effects specification controls for firm-specific unobserved factors, our findings cannot fully rule out the possibility of reverse or dual causality. For example, a 'noblesse oblige' view has been proposed. It is suggested that founder-owned firms have superior financial performance relative to other firms (Miller et al., 2007) and may thus face higher normative pressures for ethical behavior. Regarding dual causality, Wiklund (2006) argues that family firms have more of their wealth tied to firm reputation and therefore invest more to avoid CSR concerns so that they maintain a good reputation and safeguard their financial wealth.

Appendix

See Table A1.

Table A1
Description of variables.

Variable	Description
Dependent variables	
Social responsibility concerns (CSR concerns)	Sum of community concerns, diversity concerns, employee concerns, environmental concerns, non-US operations concerns, product concerns, and other concerns (source: social performance rating service KLD)
Variables of interest and ownership variables	
Ownership by founder (in %)	Percentage of common stock owned by lone founder; a lone founder is an individual who is one of the company's founders; in these firms, there exist no other family members who own more than 5% of the issued stock; a firm with lone founder ownership thus cannot be a firm with family ownership, nor vice versa (source: manual data collection from the SEC Edgar database)
Ownership by family (in %)	Percentage of common stock owned by members of the founding family; at least two family members are owners (source: manual data collection from the SEC Edgar database)
Founder CEO (dummy	Dummy = 1 if lone founder is CEO; for the definition of lone founder see *ownership by founder* variable (source: manual data collection from the SEC Edgar database)
Family CEO (dummy)	Dummy = 1 if member of the family is CEO; for the definition of family, see *ownership by family* variable (source: manual data collection from the SEC Edgar database)
Ownership by mutual funds (in %)	Percentage of stock owned by mutual funds such as Fidelity Management and Research Company and Putnam Investments (source: manual data collection from the SEC Edgar database)
Ownership by banks and insurance firms (in %)	Percentage of stock owned by banks and insurance companies such as J.P. Morgan Chase and AXA Insurance Company (source: manual data collection from the SEC Edgar database)
Ownership by employees (ESOP) (in %)	Percentage of stock owned by employee stock ownership plans (ESOP) (source: manual data collection from the SEC Edgar database)
Control variables	
Log (assets)	Natural logarithm of total assets (source: Compustat North America; data item: AT)
Debt/equity (in %)	Long-term debt (in millions of US$) divided by total assets (in millions of US$) (source: Compustat North America; data items: AT, DT)
Firm age/10	Firm age (in years) divided by 10 (source: manual data collection)
Return on assets (in %)	Income before extraordinary items divided by total assets (in millions of US $) (source: Compustat North America; data items: AT, IBCOM)
Log(incentive pay)	Natural logarithm of CEO incentive pay; incentive pay is calculated as the sum of bonus, long-term incentive plans, the Black-Scholes stock-option-value estimate, and the value of restricted stock grants (source: Execucomp database)
R&D expenses/assets	R&D expenses divided by total assets (source: Compustat North America; data items: AT, XRD)
Advertising expenses/assets	Advertising expenses divided by total assets (source: Compustat North America; data items: AT, XAD)
Industry concerns (mean)	Mean number of *social responsibility concerns* in the firm's 2-digit SIC industry
Year dummies	Dummy variables for the years 1994–2002

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