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A CONTINGENCY MODEL OF CORPORATE SOCIAL PERFORMANCE IN FAMILY FIRMS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

A CONTINGENCY MODEL OF CORPORATE SOCIAL PERFORMANCE IN FAMILY FIRMS

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Principal Topic

Historically, family firm researchers have studied the influence a family might have on firm financial and innovative performance. Researchers have recently begun to theorize about, and empirically examine, the relationship between the family firm structure and corporate social performance (CSP). Our purpose in this paper is to develop and test hypotheses regarding contextual moderators of the family firm structure-CSP relationship. To do so, we examine two forms of institutional ownership (investment management funds and public pension funds), outsider board representation, and firm size as contextual moderators.

Drawing on prior research examining the influence of institutional ownership on CSP we expect that investment management fund ownership will negatively moderate the relationship between family firm structure and CSP while public pension fund ownership will positively moderate the relationship. We also expect that outsider representation on the board positively moderates the relationship between family firm structure and CSP. Lastly, we propose that firm size negatively moderates the relationship between family firm structure and CSP.

Method

To examine the hypothesized relationships, we rely on a 2003 BusinessWeek survey to differentiate between family and non-family firms. We use the social performance rating service Kinder, Lydenberg, and Domini (KLD) for our social performance data. Control variable and firm size data are available from Compustat. Board outsider data is available from firm proxy statements while institutional ownership data is collected from the Spectrum ownership database. We have developed a longitudinal database covering the period 1994-2004.

Results and Implications

We believe this paper will make several important contributions for both academics and practitioners. First, we examine contextual factors that are hypothesized to positively or negatively moderate the relationship between a family firm structure and CSP. For academics, this will contribute to both the family firm and CSP literatures. More specifically, this study will add to our knowledge regarding the performance effects associated with a family firm structure and the moderators of that relationship. For practitioners, this research will highlight the need of family firm managers to understand the contextual variables that may help to enhance or mitigate the reputation the firm, and thus the family, receives from investments in socially responsible activities.

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