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# Corporate social responsibility disclosure and market value: Family versus nonfamily firms

Mehdi Nekhili[a,b,*], Haithem Nagati[b], Tawhid Chtioui[c], Claudia Rebolledo[d]

[a] University of Maine (GAINS-ARGUMANS), University of Maine Avenue Olivier Messiaen, 72085 Le Mans, France
[b] ICD International Business School, 12 rue Alexandre Parodi, 75010 Paris, France
[c] Emlyon Business School, Campus Casablanca, La Marina Tour Cristal 1, Casablanca, Morocco
[d] HEC Montréal, 3000, chemin de la Côte-Sainte-Catherine, Montréal, Québec H3T 2A7, Canada

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ABSTRACT

We investigate the moderating role of family involvement in the relationship between corporate social responsibility (CSR) reporting and firm market value using a longitudinal archival data set in the French context. Our empirical results show that family firms report less information on their CSR duties than do nonfamily firms. However, market-based financial performance, as measured by Tobin's q, is positively related to CSR disclosure for family firms and negatively related to CSR disclosure for nonfamily firms. Family firms would benefit greatly from communicating commitment to CSR; specifically, they could obtain shareholders' endorsement more easily than nonfamily firms could.

## 1. Introduction

The public's growing awareness of CSR-related issues is putting increasing pressure on firms to communicate their CSR efforts through non-mandatory and mandatory disclosure to ensure that stakeholders are aware of the appropriateness of their actions taken on social and environmental issues (Gray, Kouhy, & Lavers, 1995). Many companies have allocated resources and efforts to disclose extensive information about CSR issues in their annual report or standalone sustainability report. Such disclosure conveys information that is useful to address the needs of multiple stakeholder groups, especially financial ones such as shareholders (Jamali, 2008; Wang & Li, 2015). The question of the potential value of CSR disclosure for shareholders has attracted growing interest in academic research. Many studies examine the usefulness of CSR disclosure for shareholders by analyzing the impact of voluntary CSR disclosure on firm market value. Although CSR disclosure conveys value-relevant information to various capital market participants (shareholders, investors, potential shareholders and financial analysts), CSR disclosure and its appreciation by capital market participants are still incomplete and questionable (Cahan, De Villiers, Jeter, Naiker, & Van Staden, 2016). From an agency perspective, CSR reporting may represent an opportunistic maneuver by managers, and may thus reduce shareholders' wealth (Friedman, 1970). Indeed, managers enjoy full discretion over what to report on CSR issues. As a result, CSR information disclosed may not reflect firms' CSR performance (Luo, Lan, & Tang, 2012). In these settings, shareholders need to apply filters to assess the credibility of voluntary CSR information (Cho, Guidry, Hageman, & Patten, 2012).

In this study, we examine whether family status of firms matters in the relevance of voluntary CSR reporting. Moving beyond agency theory, we build our argument on the fact that family firms have some characteristics that can be considered relevant when shareholders assign value to CSR information. Stakeholder groups place great value on ownership identity when making market valuation decisions (Granata & Chirico, 2010; Anderson & Reeb, 2003). Indeed, family firms are characterized by their favorable reputation, which is shaped by firms' actions toward stakeholders (Dyer & Whetten, 2006), along with higher levels of corporate social performance and ethical behavior (McGuire, Dow, & Ibrahim, 2012), and strong social and stakeholder orientation posture (Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012). These particularities seem to positively influence stakeholders' response to family firms' CSR claims. Family firms may capitalize on their stakeholders' positive perception, relative to that of nonfamily firms, because these firms are seen as trustworthy and are perceived to have high source credibility (Stanley & McDowell, 2014; Tagiuri & Davis, 1996). Family firms differ from nonfamily firms in the nature of their relationship with external stakeholders. They are more attentive to addressing external stakeholders' expectations and less inclined to act in ways that would violate a business partner's trust (Cennamo et al., 2012). This in turn favors a high level of confidence in the family firm

* Corresponding author at: University of Maine (GAINS-ARGUMANS), University of Maine Avenue Olivier Messiaen, 72085 Le Mans, France.
*E-mail addresses:* mehdi.nekhili@univ-lemans.fr (M. Nekhili), hnagati@groupe-igs.fr (H. Nagati), chtioui@em-lyon.com (T. Chtioui), claudia.rebolledo@hec.ca (C. Rebolledo).

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and probably has a positive impact on the effects of their CSR communication.

Our study focuses on the French context. Exploring the challenges of CSR voluntary disclosure in the French context by comparing family and nonfamily firms provides an interesting institutional setting for empirical analysis, for at least three reasons. First, the usefulness of CSR reporting may vary across countries depending on the country-specific context (e.g., Cahan et al., 2016; Cormier & Magnan, 2007). Hence, our results provide evidence of a new institutional context, given that the present literature is based specifically on Anglo-American countries (Reverte, 2009). Second, the French stock market is dominated by the presence of family-controlled firms; the proportion of family listed firms is one of the highest in the world, at more than 70% (Nekhili, Chakroun, & Chtioui, 2016). Third, France is one of the few countries to have enacted legislation requiring the disclosure of social and environmental information (Chauvey, Giordano-Spring, Cho, & Patten, 2015). Our analysis starts in 2001, the year of the implementation of the New Economic Regulations (NER) Act. Article 116 of the NER Act establishes that listed French companies in a regulated market must submit data on the environmental and social consequences of their activities in their management report (Chelli, Durocher, & Richard, 2014). In addition, our study was conducted prior to the Grenelle II Act, which took effect in 2012. This act extended the non-financial reporting system introduced by the NER Act, which required listed companies to mention key indicators of non-financial performance relating to social, environmental and sustainability activities in their reports. Neither law imposes penalties for non-compliance (Chelli et al., 2014). To measure CSR reporting, we developed a content analysis index based on items as defined by the French Grenelle II Act in accordance with the Global Reporting Initiative (GRI) guidelines. Disclosure by French companies in accordance with the GRI guidelines between 2001 and 2011 was done on a totally voluntary basis (Chelli, Durocher, & Fortin, 2016). Further, analyzing the period following the first compulsory provides much richer and more extensive information on CSR duties than does the preceding period (Reverte, 2009).

Beyond its empirical value, this research makes several important contributions to the literature. First, our study attempts to provide insight into how CSR disclosure affects firm value. Despite the strategic importance of CSR disclosure to external stakeholders, it is not yet clear what real value market participants (such as investors and shareholders) attribute to CSR information disclosed by firms. The inconclusiveness of empirical evidence in this area suggests the need to determine the conditions under which shareholders assign value relevance to CSR information. Given the importance of CSR activities and CSR reporting in market valuations, this study seeks to investigate whether shareholders consider the family status of firms when assessing the value relevance of CSR disclosure. Second, the present study also contributes to the family business literature by extending and enriching our current knowledge of CSR and its disclosure in family firms. Prior empirical research provides evidence of several differences between family and nonfamily firms in CSR behavior and its disclosure (Campopiano & De Massis, 2015; Cuadrado-Ballesteros, Rodríguez-Ariza, & García-Sánchez, 2015; Iyer & Lulseged, 2013). However, despite the predominance of family businesses across all world economies, no studies have investigated how shareholders consider the family status of firms when assessing the relevance of CSR reporting. Third, given that it takes a longer time for the effects of superior CSR performance and its disclosure to translate into higher market value (Cahan et al., 2016), our paper adopts a long-term study period of 10 years, from 2001 to 2010, allowing us to improve the robustness of the empirical results. Finally, as recommended by Adams, Hill, and Roberts (1998) and Jo and Harjoto (2012), we solve the endogeneity problem of CSR disclosure in our estimation procedure. Moreover, Roberts (1992) argues that CSR reporting is related mainly to past CSR activities. Subsequently, to take the dynamic nature of the relationship between CSR reporting and firm performance into account, we apply system GMM estimation by considering past reporting as a reliable instrument. Following the study by Cahan et al. (2016), we use Tobin's q to capture the market's assessment of a firm's future cash flows and the perceived riskiness associated with its expected cash flows. Indeed, CSR disclosure potentially provides critical information for shareholders that can have cash flow implications. The moderating role of family involvement is then investigated by comparing the value relevance of CSR disclosure between family and nonfamily firms.

Based on a sample of French companies listed on the SBF 120 index from 2001 to 2011, our empirical results confirm that the family involvement in ownership and governance exerts a moderating effect on the relationship between CSR disclosure and firm market value. The system GMM regression indicates that the level of CSR reporting is positively and significantly associated with firm market performance as measured by Tobin's q for family firms. In contrast, our results suggest a negative and significant relationship between CSR reporting and Tobin's q for nonfamily firms. Our study emphasizes the importance of family involvement in ownership and governance in boosting the credibility of CSR messages and overcoming stakeholders' skepticism.

Our paper is structured as follows. We first present our theoretical background, which covers the relevant literature on CSR reporting and family firms. We also state the hypothesis to be tested. Second, we specify the data and method used to test our hypothesis, and explain and discuss the empirical results. We conclude by considering our contributions to the literature on family firms and CSR disclosure and by suggesting some research avenues.

## 2. Conceptual framework and hypothesis development

### 2.1. The challenges of CSR disclosure

Awareness of CSR activities is a precondition of benefits related to CSR (Du, Bhattacharya, & Sen, 2010). Organizations are facing increasing pressure from stakeholders to engage in social responsibility and are expected to communicate their CSR efforts (Grougiou, Dedoulis, & Leventis, 2016; Perks, Farache, Shukla, & Berry, 2013). Firms communicate CSR-related information to stakeholders through a diverse range of channels. These include social, environmental, and sustainability annual reports, corporate websites, media releases, and CSR advertising (Perks et al., 2013). Among these channels, CSR reports have become the primary means used to address stakeholders' informational needs concerning firms' environmental and social performance (Gray, Bebbington, & Collison, 2006). CSR reporting is defined as the "process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large" (Gray, Owen, & Adams, 1996, p. 3). The annual report may be used to reinforce the community's perceptions of the organization's responsiveness to specific CSR issues, or to divert attention from adverse situations (Deegan, 2002). The disclosures are selective, unveiling specific information that is expected to contribute to shaping the way stakeholders perceive the organization (Neu, Warsame, & Pedwell, 1998).

Several studies show that there are doubts concerning the level of trustworthiness of CSR information that firms convey in their annual reports. The lack of standards for CSR reporting, particularly regarding the quantity and type of information disclosed in firms' annual reports to shareholders, make CSR disclosure practices highly diverse and incomparable (Cerin, 2002). The lack of consensus on what should be included (or excluded) in CSR investments leads to confusion in interpretation of the reports' contents (Margolis & Walsh, 2003). Further, CSR-related information reported by firms is generally positive and narrative or "self-laudatory" (Deegan & Gordon, 1996). Accordingly, CSR disclosures tend to avoid negative or potentially harmful information, and few incentives exist to disclose in areas where the firm has a poor track record (Cormier & Gordon, 2001; Aerts, Cormier, & Magnan, 2008). Many firms that engage in CSR reporting

increase the volume of information and over-report CSR investments for impression management (Neu et al., 1998). CSR reporting represents a strategy to influence the public's perceptions of the company and to shape the way in which these stakeholders view the firm (Perks et al., 2013). Many companies view their CSR reporting as a public relations vehicle designed to build a good image and to achieve a solid reputation in the market (Gray et al., 1995). Firms may use CSR reporting to enhance stakeholders' perceptions of the appropriateness of their firm's pro-social and environmental actions (Guidry & Patten, 2010), and selectively disclose positive CSR actions, resulting in misleading and biased reporting (Mahoney, Thorne, Cecil, & LaGore, 2013).

Prior CSR research has stressed that the huge variety of voluntary CSR disclosures casts doubt on the validity of the announced CSR investments. Some CSR scandals have negatively affected public opinion concerning firms and their CSR reporting, raising questions about the sincerity and trustworthiness of CSR disclosures (Du et al., 2010). Stakeholders have strong intuitive beliefs that firms spend more money and time on claiming to be responsible than on implementing CSR activities and practices that minimize the environmental and social impact of their operations (Panwar, Paul, Nybakk, Hansen, & Thompson, 2014). The voluntary nature of CSR reporting provides firms with the flexibility to manage information via selective disclosure of positive social and environmental actions.

### 2.2. CSR disclosure and market value

Firms' CSR performance and its reporting have been acknowledged to have positive effects on the capital market. Stakeholder theory can provide a solid framework for understanding the positive effect of CSR disclosure on firm value. This theory asserts that a firm can be viewed as a set of interdependent relationships among stakeholders, which comprise not only shareholders but all groups or individuals who can affect or be affected by the company's activities (Clarkson, 1995). Stakeholder theory states that a firm's success depends largely on its ability to comply with stakeholders' expectations and to meet their diverse information-related needs. Based on this perspective, CSR information is a major element that firms can employ to manage or respond to various stakeholders (investors, consumers, suppliers, legislators, non-governmental organizations, etc.) to gain their support and approval (Gray et al., 1995). Social and environmental issues have consequently become important concerns for investors, consumers, nongovernmental organizations, and society in general. Consistent with stakeholder theory, firms' social and environmental communication efforts through CSR disclosure in annual reports or in standalone sustainability reports represent opportunities to meet the information demand of market participants, namely shareholders. Dhaliwal, Radhakrishnan, Tsang, and Yang (2012) argue that CSR reporting may be useful for market participants (i.e., shareholders) because CSR initiatives are likely to affect firm value through several mechanisms, including sales, costs, operational efficiency, financing, and litigation risk. This stakeholder group is principally interested in assessing the risk and likely expected future profitability of firms (Bebbington, Larrinaga, & Moneva, 2008). CSR disclosure potentially provides shareholders with critical information that directly affects a company's future cash flows and earnings, in addition to financial information. Providing more extensive social and environmental disclosures decreases information asymmetry between corporate managers and capital markets participants, and may reduce investors' overall information gathering costs together with transaction costs (Cormier, Aerts, Ledoux, & Magnan, 2009; Cormier, Ledoux, & Magnan, 2011; Dhaliwal, Li, Tsang, & Yang, 2011). Similarly, improving and reporting CSR performance can generate competitive advantages that should be valued by shareholders (Jamali, 2008). Disclosure of information about a company's CSR behavior may contribute to building and maintaining a good reputation with external stakeholders, including financial stakeholders (Aerts & Cormier, 2009; Bitektine, 2011; Branco & Rodrigues, 2006).

Prior studies have attempted to empirically demonstrate the positive implications of CSR disclosure for a firm's market value. Numerous studies have looked at the association between the level of CSR reporting and the cost of equity capital; their findings are mixed. Dhaliwal et al. (2011) provide evidence that more voluntary environmental disclosure decreases the cost of equity capital for the firm, yet Richardson and Welker (2001) observe that more voluntary CSR disclosure raises firms' cost of capital. Previous empirical evidence also provides mixed results on the relevance of CSR reporting in terms of market value as measured by its stock price or market reaction. While positive associations between CSR disclosure and market valuation are observed by Cahan et al. (2016) and Wang and Li (2015), Guidry and Patten (2010) fail to find a significant relationship between these two constructs. Conversely, Jones, Frost, Loftus, and Laan (2007) assert that the level of CSR disclosure is negatively related to firm value. These conflicting findings cast doubt on the informativeness of voluntary CSR information disclosed in firms' annual reports or in standalone sustainability reports.

### 2.3. The moderating role of family involvement

Firm characteristics could influence the effectiveness of firms' CSR communication and reduce stakeholder skepticism (Du et al., 2010). Stakeholders' response to the reliability of CSR initiatives and CSR communication results from their evaluation of these initiatives in relation to the company (Becker-Olsen, Cudmore, & Hill, 2006). Thus, stakeholders' trust in the firm is the key moderator that explains the effectiveness and success of CSR information (Elving, 2013). Family firms have several salient and unique characteristics that differentiate them from nonfamily firms in external stakeholders' view (Panwar et al., 2014; Zellweger, Kellermanns, Eddleston, & Memili, 2012). These characteristics can play an important role in determining how stakeholders evaluate and respond to CSR reporting. They also provide information that shapes the impressions that stakeholders form of the firm and its CSR disclosure.

In terms of CSR, family firms behave differently from firms without family involvement. The presence of family involvement creates a set of attitudes that may facilitate the adoption of socially responsible behavior and the implementation of CSR policies in these specific types of businesses. Empirical research has examined the impact of family ownership and management on corporate social performance and ethical behavior (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Dyer & Whetten, 2006). Researchers have argued that superior CSR performance can help firms create a reliable and honest image, and thus gain stakeholders' support (Rim, Yang, & Lee, 2016). Implementation of CSR activities contributes to nurturing stakeholders' trust in the firm and lets the firm maintain favorable relationships with their key stakeholders (Park, Lee, & Kim, 2014). Thus, the communication of family firm's environmental and social initiatives can be perceived as unbiased and therefore reduces stakeholder skepticism.

Further, family firms differ from nonfamily firms in their stakeholder relations. Family firms seek out relationships in order to build and maintain strong ties with both internal and external stakeholders more often than do nonfamily firms (Miller, Le Breton-Miller, & Scholnick, 2008; Salvato & Melin, 2008). Family owners strive to reinforce the stability of the stakeholder relationship and encourage stakeholders to maintain specific relations with the firm as part of long-term exchanges based on collaboration and trust (Stanley & McDowell, 2014). Proactive or positive social performance, particularly regarding important external stakeholders, can allow the family firm to gain the support of key stakeholders (Cennamo et al., 2012; McGuire et al., 2012; Zellweger et al., 2012). This relational approach would include a strong presence and significant roots in the community, a longer-term orientation, greater respect for and positive treatment of employees, respect for family values, and trusting relationships with suppliers and

customers. The nature of the stakeholder relationship based on the above characteristics increases the likelihood of firms being perceived as “good” by their stakeholders, which will have a positive impact on their CSR communications.

Several studies confirm the attachment of family firms' owners and their well-connected managers to preserving the image and reputation of the firm (e.g. McGuire et al., 2012). Accordingly, family businesses tend to be unwilling to damage those reputations through irresponsible actions by their firms (Berrone et al., 2010; Dyer & Whetten, 2006). Due to the potentially close link between firm and family reputation, Dyer and Whetten (2006) find that family firms pursue significantly fewer activities causing concern regarding social responsibility and environmental management than do firms without family involvement. Family firms may consequently benefit from their positive image, which is shaped by their actions on social and environmental issues. These actions are expected to positively influence stakeholder's perceptions. We therefore suggest the following hypothesis:

**Hypothesis 1.** The market valuation of CSR disclosure is higher for family firms than for nonfamily firms.

## 3. Data and method

### 3.1. Sample

Our empirical study analyzes the 120 largest publicly traded firms in France, known as the SBF120 (*Société des Bourses Françaises*), that published a sustainable development report between 2001 and 2010 or that dedicated a full or partial chapter to sustainable development in their annual reports during that period. After filtering our data to exclude regulated financial, insurance and real estate firms, we obtained a sample of 91 companies covered over a 10-year period for a total of unbalanced 850 firm-year observations. Financial data were obtained from the ThomsonOne database. Variables on corporate governance and ownership, and data related to CSR information were hand-collected from firms' annual reports, published on the companies' websites.

Our sample period starts in 2001, the year of the implementation of the New Economic Regulations (NER) Act requiring all firms listed on the French Stock Exchange to report information on their social and environmental activities. The advantage of analyzing the period following this first compulsory regulation is that it provides extensive and richer information than in the previous period, in which information on CSR is generally very scarce and circumstantial (Reverte, 2009). The study period ends in 2010, prior to the Grenelle II Act, which came into effect in 2012 and extended the non-financial reporting system introduced by the NER Act. Grenelle II requires listed companies to describe their societal commitments for sustainable development duties and to specify, in accordance with the GRI guidelines, the impact of these activities in their annual report. Prior to 2012, reporting on CSR information in accordance with the GRI guidelines between 2001 and 2011 was done on a fully voluntary basis (Chelli et al., 2016).[1]

### 3.2. Dependent variable

The use of Tobin's q as a market-based measure of firm performance is pertinent to capture the impact of CSR reporting on firm value. We used Tobin's q as a proxy of firms' market value for three reasons. First, it is a forward-looking measure because it is based on stock market prices. Second, market-based measures reflect the notion of external stakeholders and may better capture the long-term value of CSR activities (Orlitzky, Schmidt, & Rynes, 2003). Tobin's q is often viewed as an assessment of reputational effects (Surroca, Tribo, & Waddock, 2010). Third, Tobin's q can be used to compare firms across industries because it is not affected by accounting conventions (Chakravarthy, 1986). Several scholars argue that market-based measures are more appropriate than accounting-based measures for capturing the financial benefits of CSR (Hillman & Keim, 2001). Following many eminent references, Tobin's q is calculated as a firm's market capitalization plus book value of debt, divided by book value of total assets.

### 3.3. Endogenous variable

The annual report is largely considered the main vector of diffusion of CSR outside the firm (Neu et al., 1998). In addition, analysis of annual reports provides an opportunity to collect historical, time-sensitive data and is the only way to perform longitudinal research in many organizations (Bansal, 2005). For the purposes of our study, we create an index of CSR reporting from the corresponding grid as defined by the Grenelle II Act (Appendix A). The advantages of using this grid are its accuracy, inherent simplicity and compliance with GRI. Moreover, this grid facilitates comparisons between firms operating in different sectors by proposing a standard format containing precise themes that account for firms' economic, social and environmental performance. The grid of the Grenelle II Act comprises 42 items divided into three categories of social (19 items), environmental (14 items) and sustainability reporting (9 items). Following Bansal (2005) and Khan, Muttakin, and Siddiqui (2013), we measure CSR disclosure by using the unweighted disclosure index. A firm is not penalized for non-disclosure if the related item is not relevant. To measure the extent of CSR reporting, we define an index as the percentage of the allocated total score to the maximum score (the sum of relevant items presented in Appendix A).[2] The CSR disclosure index for the *jth* firm-year is calculated as follows:

$$\text{CSR reporting index}_j = \sum_{t=1}^{nj} X_{ij} \Big/ n_j$$

where:$n_j$ = number of items expected for the *jth* firm-year.$X_{ij}$ = 1 if the *ith* item is disclosed by the *jth* firm-year, and 0 if the *ith* item is not disclosed.

### 3.4. Moderating variable: family firms

Consistent with prior research (e.g., Boubaker & Labégorre, 2008; Faccio & Lang, 2002; Gomez-Mejia, Makri, & Kintana, 2010; Nekhili et al., 2016), we classify firms as family firms when the ultimate controlling shareholder with at least a 10% equity stake is a family, and at least one member of the controlling family is on the board or is part of top management. Accumulation of power unrestricted by external board members or outside owners makes family firms differ greatly from the norm for public companies (Chua, Chrisman, Steier, & Rau, 2012).

### 3.5. Control variables

The link between market value and CSR disclosure may be influenced by several other variables that we need to control for. Many studies have demonstrated the influence of ownership structure on CSR disclosure policy (Grougiou et al., 2016; Iyer & Lulseged, 2013). We control for two features of firm ownership: institutional and

[1] In our study, we focus on purely voluntary disclosure. Indeed, mandatory CSR reporting reduces a firm's expected gain in financial markets from disclosing impacts (Kalkanci, Ang, & Plambeck, 2016). Econometrically, the lack of variation over time in the mandatory period may also be problematic if we want to investigate a dynamic setting similar to ours (Elsayed & Paton, 2005). We use the technique of dynamic panel data to detect variation between firms along with variation over time regarding CSR reporting.

[2] The reliability of our CSR reporting index was assessed with Cronbach's alpha (=0.944). Khan et al. (2013) compute a coefficient alpha of 0.701 for their CSR reporting index containing 20 items.

employee ownership. By taking a long-term perspective on the firm, institutional investors increase firms' propensity to engage in CSR activities and provide effective external control regarding the information transparency of CSR engagement (Jo & Harjoto, 2011). Employee capital holding should increase both the supply and demand of CSR reporting, as long as CSR is a function of a firm's behavior toward its different stakeholders, such as employees (Malik, 2015).

Board characteristics may also drive CSR reporting. Four board characteristics are considered in our study: presence of a CSR committee, size, independence and diligence. Firms that establish a board committee dedicated to dealing with CSR issues demonstrate serious concern about non-financial performance and have a higher propensity to report their CSR policies and practices (Cowen, Ferreri, & Parker, 1987). Giannarakis (2014) argues that larger boards help firms acquire more diverse and vital resources to carry out CSR activities. Cuadrado-Ballesteros et al. (2015) and Khan et al. (2013) find that independent directors contribute positively to increasing the level of CSR reporting. However, this result does not hold in family firms due to the influence of family owners on independent directors. The number of board meetings indicates directors' concerns regarding stakeholders' interests, such as CSR duties (Giannarakis, 2014). CEO characteristics also play an important role in determining the level of CSR disclosure. Owing to the concentration of power, the fact that a single person holds the dual functions of chairman of the board of directors and CEO may influence the effectiveness of board supervision, leading to negligence of additional involvement in social activities and hence to a lower reporting level regarding these activities (Khan et al., 2013). However, Lewis, Walls, and Dowell (2014) document that newly appointed CEOs are more likely to comply with pressure from stakeholders regarding voluntary environmental disclosure than are high-tenured CEOs.

We also control for other firm characteristics. Firm leverage is a factor that influences decisions to report CSR information (Khan et al., 2013). More indebted firms are motivated to consider creditors' expectations regarding information related to CSR (Roberts, 1992). Following the arguments advanced by Padgett and Galan (2010), we also control R & D intensity because it complements CSR in offering firms a competitive advantage. Consistent with Roberts (1992) and de Villiers, Naiker, and van Staden (2011), we control for the level of firm systematic risk. The premise is that firms with low systematic risk, as measured by beta, are economically stable and invest more in socially responsible activities. Further, large firms face a greater demand for communication and therefore have more incentives to apply CSR disclosure (Roberts, 1992). Finally, industry is widely considered as an important factor in implementing and reporting CSR practices. To code the industry, we use the Industry Classification Benchmark (ICB) developed in January 2005 by Dow Jones and FTSE and used by Euronext since 2006. Table 1 summarizes the variables used in our model and their measurement.

### 3.6. Model

The potential impact of CSR reporting may be determined by firms' characteristics that simultaneously affect market-based performance (Tobin's q). This is the classic endogeneity problem generated by reverse causalities and omitted variables. The results of the Wooldridge (2002) test indicate the presence of serial correlations of both endogenous variables (CSR reporting) and the dependent variable (Tobin's q). Therefore, we decided to use the "system GMM" estimation approach following Blundell and Bond (1998) by considering past reporting as a reliable instrument. Specifically, we estimate the following equation, which captures the impact of the level of CSR voluntary reporting on Tobin's q by controlling for the auto-correlated structure of the dependent variable:

**Table 1**
Measures of variables.

| Variable | Measure[a] |
|---|---|
| Dependent variables: firm market value | |
| Tobin's *q* | Stock market capitalization plus book value of liabilities as a ratio of total assets |
| Endogenous variables | |
| CSR reporting | Corporate social responsibility reporting index as the ratio of the assigned total score to the maximum score (42 items) (Appendix A) |
| Moderating variable | |
| Family firms | Firms are considered as family firms when the ultimate controlling shareholder with at least a 10% equity stake is a family, and at least one member of the controlling family is on the board or is part of top management |
| Ownership variables | |
| Family ownership | Percentage of capital held by family members |
| Institutional ownership | Percentage of capital held by institutional investors |
| Employee ownership | Percentage of capital held by employee shareholders |
| Governance variables | |
| CSR committee | Binary variable that takes the value of 1 if the company has a CSR committee and 0 otherwise |
| Board size | Natural logarithm of the number of directors on the board |
| Board independence | Ratio of number of non-executive independent directors to total number of board directors |
| Board meeting | Natural logarithm of the number of annual board meetings |
| Duality | Dummy variable coded 1 if the CEO serves as board chair; 0 otherwise. |
| CEO tenure | Natural logarithm of the number of years at a company before being appointed to a CEO position |
| Other control variables | |
| Leverage | Ratio of total financial debt to total value of assets |
| R & D | Ratio of Research and Development to total sales |
| Beta | Equity beta |
| Firm size | Natural logarithm of the total assets |
| Industry | Binary variable that takes the value of 1 if the company belongs to the sector in question and 0 otherwise. |

[a] Variables from ThomsonOne are winsorized at the 1% and 99% levels.

$$\begin{aligned}\text{Tobin's q}_{it} = {} & \beta_0 + \beta_1 \text{ Lag Tobin's q}_{it} + \beta_2 \text{ CSR reporting}_{it} + \beta_3 \\ & \text{CSR committee}_{it} + \beta_4 \text{ Family ownership}_{it} + \beta_5 \\ & \text{Institutional ownership}_{it} + \beta_6 \text{ Employee ownership}_{it} + \beta_7 \\ & \text{Board size}_{it} + \beta_8 \text{ Board independence}_{it} + \beta_9 \text{ Board meeting}_{it} \\ & + \beta_{10} \text{ CEO duality}_{it} + \beta_{11} \text{ CEO tenure}_{it} + \beta_{12} \text{ Leverage}_{it} + \beta_{13} \\ & \text{R\&D}_{it} + \beta_{14} \text{ Beta}_{it} + \beta_{15} \text{ Firm size}_{it} + \beta_{16} \text{ IndustryFE} + \xi_{it}\end{aligned}$$

All variables are as defined in Table 1. $\xi_{it}$ is the error term and the subscripts $i$ and $t$ stand for firms and time, respectively. We consider two specification tests to address the consistency of the GMM estimator. The first is the second-order autocorrelation test for the error term, which checks the absence of second-order autocorrelation. The second is the Sargan/Hansen test of over-identifying restrictions, which tests the overall validity of instruments.

## 4. Results and analysis

We first present descriptive statistics of all variables considered in our study, followed by the mean difference of variables between family and nonfamily firms. Next, system GMM regression tests the effect of CSR reporting on market-based performance for the whole sample and then for family and nonfamily firms separately. We conduct our analysis in a dynamic setting. Thus, the model includes the lagged effect of market-based performance. Ownership, governance and other firms' characteristics serve as controls.

**Table 2**
Descriptive statistics[a].

| Variables | Mean | Median | S.D. | Minimum | Maximum |
|---|---|---|---|---|---|
| Tobin's q | 1.152 | 0.894 | 0.843 | 0.255 | 4.556 |
| CSR reporting | 42.09% | 45.23% | 25.26% | 0 | 90.47% |
| CSR committee | 24.62% | 0 | 43.10% | 0 | 1 |
| Family firm | 61.65% | 1 | 48.90% | 0 | 1 |
| Family ownership | 26.67% | 22.91% | 26.31% | 0 | 99.37% |
| Institutional ownership | 14.99% | 5% | 22.25% | 0 | 90% |
| Employee ownership | 2.49% | 1% | 4.75% | 0 | 32.75% |
| Board size (number of directors) | 11.566 | 12 | 4.002 | 3 | 26 |
| Board independence | 42.07% | 42.85% | 23.94% | 0 | 100% |
| Board meeting (number of meetings) | 7.228 | 7 | 3.557 | 1 | 30 |
| Duality | 53.76% | 1 | 49.88% | 0 | 1 |
| CEO tenure (number of years) | 8.715 | 7 | 6.846 | 0 | 42 |
| Leverage | 25.86% | 24.97% | 14.08% | 0 | 73.87% |
| R & D | 1.95% | 0 | 4.71% | 0 | 42.11% |
| Beta | 0.886 | 0.899 | 0.282 | 0.063 | 1.815 |
| Firm size (in billions of Euros) | 16.201 | 4.923 | 28.588 | 4 | 240.559 |

Variables as defined in Table 1.
[a] To reduce the impact of outliers, we winsorize the accounting variables at the 1% and 99% levels.

**Table 3**
Difference mean between family and nonfamily firms.

| Variables | Family firms (N = 524) | Nonfamily firms (N = 326) | Student statistic *t*-value |
|---|---|---|---|
| Tobin's q | 1.303 | 0.888 | 7.024*** |
| CSR reporting | 39.77% | 48.01% | 4.698*** |
| CSR committee | 21.31% | 33.73% | 4.071*** |
| Institutional ownership | 7.96% | 25.93% | 12.532*** |
| Employee ownership | 1.91% | 3.40% | 4.540*** |
| Board size (number of directors) | 10.935 | 12.561 | 6.213***[a] |
| Board independence | 34.63% | 53.64% | 12.282*** |
| Board meeting (number of meetings) | 6.943 | 7.674 | 2.940***[a] |
| Duality | 53.50% | 54.03% | 0.151 |
| CEO tenure (number of years) | 9.761 | 7.110 | 4.201***[a] |
| Leverage | 25.49% | 25.97% | 0.492 |
| Beta | 0.862 | 0.931 | 3.492*** |
| R & D | 3.56% | 1.77% | 2.019** |
| Firm size (in billions of Euros) | 10.601 | 25.793 | 10.166***[a] |

Variables as defined in Table 1.
**, *** Represent significance at 0.05 and 0.01 levels, respectively.
[a] *t*-Tests are based on natural logarithm transformed values.

### 4.1. Univariate analysis

Table 2 provides descriptive statistics. First, the average Tobin's q is 1.152 and the median is 0.894. Our sampled firm-years report on average 42.09% of the total items included in the grid of the Grenelle II Act. Only about one-quarter of firms (24.61%) have CSR committees. Following the methodology of Boubaker and Labégorre (2008), Faccio and Lang (2002), Gomez-Mejia et al. (2010) and Nekhili et al. (2016), we classify 524 of a total of 850 observations, corresponding to 61.65% of our sampled firm-years, as family-controlled firms. This proportion is slightly lower than those reported for France by previous studies (Boubaker & Labégorre, 2008 (70.37%); Faccio & Lang, 2002 (70.92%); Nekhili et al., 2016 (74.18%)). This difference may be due to the fact that we focus only on the largest French companies of the 120 SBF index. The average of family and institutional ownership is 26.67% and 14.99%, respectively, and employees hold only 2.49% of capital. On average, boards are composed of 12 directors, and 42.07% of them are independent. The boards of directors meet on average and median 7 times per year. Moreover, the average CEO tenure is 8.715 years, and 53.76% of the CEOs are also chairs of the board. The average level of corporate debt is 25.86%. The equity price of French firms is less volatile than the stock market when the average market risk (beta) is less than 1 (0.886). R & D activities represent on average 1.95% of total sales. Finally, average firm size is €16.201 billion with a minimum of 4 and a maximum of €240.559 billion.

Table 3 presents the mean difference of variables between family and nonfamily firms. Family firms exhibit better financial performance as measured by Tobin's q (1.303) than do nonfamily firms (0.888). Further, we find that family firms publish less CSR information than do nonfamily firms and are less likely to establish a CSR board committee. In line with Anderson and Reeb (2004), results in Table 3 indicate that the percentage of stock ownership held by institutional investors is smaller in family firms (7.96%) than in nonfamily firms (25.93%). Our result also corroborates previous studies suggesting a lesser tendency of French family firms to use employee ownership in order to perpetuate family control (Guedri & Hollandts, 2008). Table 3 shows that the boards of nonfamily firms are larger, less independent and less active on average than those of family firms. In line with Gomez-Mejia, Nunez-Nickel, and Gutierrez (2001), we find that the average CEO tenure is longer in family firms (9.761) than in nonfamily firms (7.110). No significant difference is observed between the two categories of firms with respect to CEO duality. Regarding other control variables, our results show that family-controlled firms have a significantly lower systematic risk, as measured by beta, and higher R & D intensity than do nonfamily firms. Finally, family firms have less total assets than do nonfamily firms. No significant difference is found between nonfamily firms and family firms with regard to their leverage.

Before multivariate analysis, we verified the correlation among the different variables. The pairwise correlation matrix in Table 4 indicates that no correlation between independent and control variables exceeds the value of 0.5. Also, the VIFs do not exceed the thorough limit of 3. Thus, the statistical properties of the computed variables indicate the absence of substantial multicollinearity problems in our multivariate analysis.

### 4.2. Multivariate analysis

Table 5 presents the results of the system GMM regression of the respective effects of CSR disclosure on firm market value, where CSR disclosure is endogenously determined. The Arellano–Bond (second-order autocorrelation) test and the Sargan/Hansen test of over-identifying restrictions indicate that the instruments used are valid. Not surprisingly, prior performance as measured by the one year lagged-value of Tobin's q is an important determinant of the current Tobin's q. Importantly, the findings for the total sample highlight a significant and positive relationship between CSR reporting and firm performance as measured by Tobin's q.[3]

When we split the total sample according to family involvement in ownership and governance, the empirical results confirm that the presence of family involvement exerts a moderating effect on the relationship between CSR disclosure and firm market value. We thus confirm the positive and significant impact of CSR reporting on firm performance as measured by Tobin's q for family firms. In contrast, the system GMM regression indicates a negative and significant relationship between CSR reporting and Tobin's q for nonfamily firms. Our findings are similar to those of Jones et al. (2007), who observe that the level of CSR disclosure is negatively associated with firm value. Our hypothesis, in which we stipulate that the publication of CSR informa-

[3] For the total sample, we consider family ownership as a continuous variable (the proportion of capital held by family). Later, we use family involvement in ownership and governance to differentiate between family and nonfamily firms.

**Table 4**
Pairwise correlation.

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | VIF |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Tobin's q | 1.000 | | | | | | | | | | |
| 2. *Lag* Tobin's q | 0.771[a] | 1.000 | | | | | | | | | |
| 3. CSR reporting | − 0.147[a] | − 0.148[a] | 1.000 | | | | | | | | 1.64 |
| 4. *Lag* CSR reporting | − 0.146[a] | − 0.139[a] | 0.944[a] | 1.000 | | | | | | | 1.61 |
| 5. CSR committee | − 0.084 | − 0.065 | 0.402[a] | 0.399[a] | 1.000 | | | | | | 1.21 |
| 6. Family ownership | 0.284[a] | 0.279[a] | − 0.099[a] | − 0.088 | − 0.095[a] | 1.000 | | | | | 1.45 |
| 7. Institutional ownership | − 0.240[a] | − 0.249[a] | 0.130[a] | 0.124[a] | 0.075 | − 0.389[a] | 1.000 | | | | 1.31 |
| 8. Employee ownership | − 0.231[a] | − 0.229[a] | 0.120[a] | 0.110[a] | 0.039 | − 0.171[a] | 0.031 | 1.000 | | | 1.16 |
| 9. Board size | − 0.242[a] | − 0.231[a] | 0.385[a] | 0.386[a] | 0.252[a] | − 0.161[a] | 0.028 | 0.185[a] | 1.000 | | 1.97 |
| 10. Board independence | − 0.169[a] | − 0.165[a] | 0.186[a] | 0.159[a] | 0.077 | − 0.267[a] | 0.287[a] | − 0.009 | 0.078 | 1.000 | 1.30 |
| 11. Board meeting | − 0.037 | − 0.022 | 0.166[a] | 0.142[a] | 0.171[a] | − 0.104[a] | − 0.058 | 0.036 | 0.045 | − 0.013 | 1.18 |
| 12. Duality | − 0.091[a] | − 0.101[a] | 0.056 | 0.044 | − 0.101[a] | − 0.002 | 0.011 | 0.191[a] | 0.023 | − 0.160[a] | 1.15 |
| 13. CEO tenure | 0.097[a] | 0.114[a] | 0.237[a] | 0.204[a] | 0.111[a] | 0.022 | − 0.082 | 0.101[a] | 0.145[a] | 0.001 | 1.17 |
| 14. Leverage | − 0.249[a] | − 0.241[a] | 0.048 | 0.056 | − 0.058 | − 0.108[a] | 0.073 | − 0.064 | 0.026 | − 0.009 | 1.15 |
| 15. R & D | 0.262[a] | 0.285[a] | 0.091[a] | 0.089 | − 0.008 | 0.048 | − 0.079 | − 0.103[a] | − 0.034 | 0.048 | 1.13 |
| 16. Beta | 0.021 | − 0.001 | 0.080 | 0.099[a] | 0.049 | − 0.214[a] | − 0.023 | − 0.090[a] | 0.006 | 0.093[a] | 1.24 |
| 17. Firm size | − 0.287[a] | − 0.257[a] | 0.480[a] | 0.485[a] | 0.293[a] | − 0.285[a] | 0.090[a] | 0.099[a] | 0.468[a] | 0.287[a] | 2.50 |

| | 11 | 12 | 13 | 14 | 15 | 16 | 18 |
|---|---|---|---|---|---|---|---|
| 11. Board meeting | 1.000 | | | | | | |
| 12. Duality | − 0.036 | 1.000 | | | | | |
| 13. CEO tenure | − 0.089[a] | 0.182[a] | 1.000 | | | | |
| 14. Leverage | 0.065 | 0.058 | − 0.082 | 1.000 | | | |
| 15. R & D | –0.003 | − 0.065 | 0.171[a] | − 0.181[a] | 1.000 | | |
| 16. Beta | 0.270[a] | − 0.054 | 0.033 | − 0.007 | 0.087 | 1.000 | |
| 18. Firm size | 0.147[a] | − 0.094[a] | 0.120[a] | 0.142[a] | − 0.020 | 0.202[a] | 1.000 |

All variables are as defined in Table 1.
[a] Represents significance at 0.01 level, respectively.

tion has differentiated impacts on performance depending on the presence of family ownership, is largely confirmed. The degree of family involvement in the business positively impacts the relevance of voluntary CSR information. Family firms would therefore derive great benefits from communicating efforts and commitment to CSR; specifically, they could obtain stockholders' endorsement more easily than nonfamily firms could (Panwar et al., 2014).

The results in Table 5 highlight that the presence of a CSR committee in charge of monitoring CSR endeavors is negatively associated with Tobin's q for family firms. Market participants consider family involvement in ownership and governance as a substitute for the CSR committee with regard to CSR reporting. The CSR committee is

**Table 5**
System GMM regression of Tobin's *q* on CSR reporting.

| Variables | Total sample | | Family firms | | Nonfamily firms | |
|---|---|---|---|---|---|---|
| | Coef. | *t*-Test | Coef. | *t*-Test | Coef. | *t*-Test |
| *Lag* Tobin's q | 0.617*** | 81.09 | 0.572*** | 21.31 | 0.390*** | 11.53 |
| CSR reporting | 0.594*** | 11.62 | 1.031*** | 3.88 | − 0.887* | − 1.79 |
| CSR committee | − 0.087*** | − 4.17 | − 0.195*** | − 4.54 | 0.282** | 2.37 |
| Family ownership | − 0.012 | –0.35 | | | | |
| Institutional ownership | − 0.102*** | − 2.85 | − 0.419*** | − 3.13 | − 0.156* | − 1.66 |
| Employee ownership | − 0.058** | − 2.50 | − 0.727 | − 1.54 | − 4.478** | − 2.33 |
| Board size | − 0.130*** | − 6.53 | 0.084 | 1.05 | − 0.606** | − 2.46 |
| Board independence | − 0.021* | − 1.87 | − 0.202*** | − 2.60 | − 0.313* | − 1.89 |
| Board meeting | 0.078 | 1.48 | − 0.043 | − 0.67 | − 0.056 | − 1.17 |
| Duality | − 0.175*** | − 3.89 | − 0.292*** | − 5.45 | 0.053 | 0.58 |
| CEO tenure | − 0.893*** | − 4.25 | − 0.053 | − 1.50 | 0.299*** | 2.81 |
| Leverage | − 0.484*** | − 8.62 | − 0.659*** | − 3.78 | 0.347 | 1.30 |
| R & D | 0.210 | 1.37 | 0.782*** | 2.95 | 0.745 | 0.63 |
| Beta | 0.144*** | 3.63 | 0.221*** | 2.88 | 0.034 | 0.36 |
| Firm size | − 0.075*** | − 8.43 | − 0.136*** | − 4.60 | − 0.064 | − 1.07 |
| Intercept | 1.028*** | 4.05 | 1.157** | 2.27 | 4.295* | 1.75 |
| Industry_FE | Yes | | Yes | | Yes | |
| Number of observations | 747 | | 456 | | 291 | |
| Wald test (Chi-square, *p*-value) | 41,605.56 ($p = 0.000$) | | 88,341.55 ($p = 0.000$) | | 64,886.71 ($p = 0.000$) | |
| Arellano–bond test AR(1) (z, *p*–value): | − 3.00 ($p = 0.003$) | | − 2.70 ($p = 0.007$) | | − 2.69 ($p = 0.007$) | |
| Arellano–Bond test AR(2) (z, *p*–value): | 1.67 ($p = 0.095$) | | 1.77 ($p = 0.077$) | | − 0.37 ($p = 0.714$) | |
| Sargan test (Chi–square, *p*–value): | 600.06 ($p = 0.000$) | | 388.85 ($p = 0.000$) | | 123.03 ($p = 0.000$) | |
| Hansen test (Chi–square, *p*–value): | 77.22 ($p = 0.107$) | | 51.39 ($p = 0.306$) | | 25.76 ($p = 0.532$) | |

Variables as defined in Table 1.
*, **, *** Represent significance at 0.10, 0.05 and 0.01 levels, respectively.

thus considered unnecessary in family-owned businesses. For nonfamily firms, a CSR committee is significantly and positively associated with Tobin's q. This result suggests that CSR committees play an important role in overseeing corporate social strategy in nonfamily firms and are considered as crucial by shareholders to address social and environmental issues.

When we investigate the effect of ownership and governance characteristics, multivariate analysis shows that the corresponding variables are most often negatively related to firm performance. However, we note substantial differences in significance levels and coefficients between family and nonfamily firms. Results also vary considerably depending on the nature of the endogenous variable considered in the model (CSR reporting). An exception was observed for CEO tenure, which is positively related to performance in nonfamily firms and negatively or insignificantly associated with Tobin's q for family firms. In nonfamily firms, high-tenured CEOs are likely to better understand ongoing management practices and to carry out their responsibilities with greater skill.

For the other control variables, we observe, consistent with Villalonga and Amit (2006), a positive impact of leverage on firm performance as measured by Tobin's q for family firms. In addition, we find a positive and significant impact of beta on Tobin's q for family firms, suggesting that family-controlled firms with higher market risk seem to outperform firms with lower market risk. This result contrasts with Braun and Sharma's (2007) finding that beta is negatively related to shareholder return in the case of family-controlled firms. Finally, Table 4 exhibits a positive and significant relation between R & D and Tobin's q in family firms. No significance is found with respect to R & D intensity in nonfamily firms. If CSR and R & D are complementary in offering firms a competitive advantage (Padgett & Galan, 2010), this conjecture seems inapplicable to nonfamily firms.

## 5. Discussion and implications

The results are first discussed in light of descriptive statistics. In general, our findings support the conclusions of previous studies. The distinctive features of family firms as compared with nonfamily firms (e.g., strong ties with both internal and external stakeholders, alignment of interests between owners and managers, potentially close link between firm and family reputation) seem to influence not only their performance but also the effectiveness of governance mechanisms, which play a merely symbolic role in this category of firms (Berrone & Gomez-Mejia, 2009).

Descriptive statistics show strong and highly significant differences in means for major characteristics between family and nonfamily firms. Consistent with Anderson and Reeb (2003, 2004), McConaughy, Walker, Henderson, and Mishra (1998), and Villalonga and Amit (2006), we find a difference significant at 1% for the market performance proxy (Tobin's q). Divergent interests between owners and managers may explain the superior performance of family firms (Anderson & Reeb, 2003, 2004; Villalonga & Amit, 2006). In terms of board characteristics, our findings are in line with predictions and existing results. Large and more independent boards tend to exert pressure and greater control on management and, subsequently, are not required in family firms (Anderson & Reeb, 2004; Schulze, Lubatkin, Dino, & Buchholtz, 2001; Villalonga & Amit, 2006). In line with Gomez-Mejia et al. (2001), we find that CEOs enjoy longer tenures in family firms than in nonfamily firms. However, they are selected primarily on the basis of family ties to the owners' families, and their role is dominated by ideological and family value considerations (Burkart, Panunzi, & Shleifer, 2003).

With regard to CSR practices, we find that family firms publish less CSR information than do nonfamily firms. This result is consistent with the conjecture that family involvement in ownership and governance affects the level and content of CSR reporting (Iyer & Lulseged, 2013; Cuadrado-Ballesteros et al., 2015). Indeed, family firms have less incentive to disclose social and environmental policy in order to reduce information asymmetries between firms and their shareholders than do nonfamily businesses. Family-owned businesses have little motivation to provide detailed information because conflicts of interest between owners and managers are less likely to arise in family-controlled businesses than in nonfamily firms. Our results confirm the findings of Campopiano and De Massis (2015) showing that the process of disseminating CSR information differs between family and nonfamily firms. Accordingly, family firms are distinguished from nonfamily firms by their informal ways of communicating their ethical values (Vasquez, 2016), and are, as shown in Table 3, less likely to form a CSR board committee.

In light of the results of previous studies, the positive effect of CSR disclosure on firm value seems inconclusive in that the major challenge of CSR communication is to minimize stakeholders' skepticism (Du et al., 2010). This skepticism comes from the fact that shareholders and other stakeholders often consider CSR information as strategic in nature; as a result, it may not be credible (Elving, 2013; Grougiou et al., 2016). Some companies may opportunistically respond to stakeholders' pressure by engaging in symbolic communication of CSR issues without substantially addressing them in actions. CSR disclosure credibility is a particularly pertinent topic in France, where market position improvement is one of the top key drivers of the CSR disclosure strategy of French firms (KPMG, 2008). In contrast, ethical considerations and innovation emerged as the most common drivers for the rest of the world's largest companies. This reinforces the doubt about managerial motivations behind CSR disclosure practices.

The results of our multivariate analysis show that family status of firms can serve as a filter to assess the value relevance of voluntary disclosure of CSR information. This finding has important implications for practice and research. First, both individual and institutional investors have begun to integrate CSR performance and reporting in their valuation decisions. Our results enhance understanding of the circumstances under which shareholders react positively to CSR information disclosed in firms' annual reports or standalone reports, and are in line with studies demonstrating that certain conditions play a crucial role in the market valuation of CSR disclosure (e.g., Cahan et al., 2016; Du et al., 2010; Wang & Li, 2015). However, to the best to our knowledge, no research has investigated whether the value relevance of CSR disclosure is influenced by the family status of firms.

Second, given the high concentration of family control, family owners can use their controlling position to appropriate company resources for family purposes and to pursue self-serving family utility at the expense of nonfamily shareholders (Anderson & Reeb, 2004; Braun & Sharma, 2007; Burkart et al., 2003; Villalonga & Amit, 2006). Minority shareholders are more vulnerable to opportunistic behavior in family firms than in nonfamily firms (Nekhili et al., 2016). Moreover, France is characterized by less effective legal protection for shareholders (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000), which affects the extent of expropriation opportunities and encourages the proliferation of related-party transactions (Nekhili & Cherif, 2013). The risk of expropriation by family controlling shareholders can decline significantly when transparency between managers and stakeholders is high. Our results suggest that communicating CSR commitment can be considered a positive signal to stakeholders concerning firms' ethical values. Minority shareholders may then consider CSR reporting and the quality of information regarding how companies take into account the social and environmental consequences of their activities as essential conditions for good corporate governance, which limits the classic risk of expropriation. This would reinforce the protection of minority shareholders' rights and allay their concerns regarding the threat of family insiders.

Third, our findings are consistent with prior research demonstrating that financial market participants such as shareholders take the family status of firms into account when assessing firm value (Anderson & Reeb, 2003; Granata & Chirico, 2010). Accordingly, exter-

nal investors view family firms as more valuable organizational forms than other firms. For wealth maximization, shareholders should ensure that firms address the needs of different stakeholders like employees, customers, suppliers and communities (Jamali, 2008; Wang & Li, 2015). Family firms are characterized by proactive stakeholder engagement, which is defined as firms' willingness to anticipate their stakeholders' needs and develop practices that meet these needs (Cennamo et al., 2012). This in turn favors a high level of confidence in CSR information disclosed by family firms.

Going beyond the agency paradigm, stakeholder theory can provide a solid framework for understanding how reporting on CSR duties may help firms achieve good financial performance. This theory asserts that a firm can be viewed as a set of interdependent relationships among stakeholders, which comprise not only shareholders but all groups or individuals who can affect or be affected by the company's activities (Clarkson, 1995). According to this approach, firms need to address the interests of not only shareholders but also all the stakeholders who can affect or be affected by the achievement of the organizational objectives (Freeman, 1984). This perspective contrasts with agency theory, which is based on the principle that the only responsibility of a firm is to maximize profits for its shareholders or owners (Friedman, 1970). Similarly, the stakeholder perspective suggests that the interests and concerns of both shareholders and stakeholders are not necessarily in conflict. Our paper contributes to the literature by providing insights into how proactive stakeholder engagement, which seems to prevail in family firms, is of major importance in demonstrating the relevance of CSR reporting.

## 6. Conclusion

This paper explored the impact of CSR disclosure on firm market value. CSR is a strategic investment for the firm, which aims to benefit not only from its involvement in social responsibility activities but also from its communication regarding this involvement to external stakeholders. Many studies have suggested that future research should investigate factors that minimize skepticism among the main audiences of CSR disclosure (Du et al., 2010). Based on a sample of 91 French firms listed on the SBF 120 index from 2001 to 2010, this study demonstrates that the presence of family involvement plays an important moderating role in the relationship between CSR reporting and firms' market value as measured by Tobin's q. Characterized by proactive stakeholder engagement, family firms would benefit greatly from communicating commitment to CSR; specifically, they could obtain shareholders' endorsement more easily than nonfamily firms could.

Obviously, our study has several limitations, which suggest directions for future research. First, our empirical study focuses on publicly traded French firms. Given that publicly traded and privately owned companies differ significantly in their level of resources and exposure to institutional pressures, future research could examine the relationship between CSR disclosure and market value in the case of privately owned firms to enhance our understanding of the value relevance of CSR disclosure. Second, our empirical setting was limited to French firms. Further studies should investigate the moderating role of family involvement in the relationship between CSR disclosure and firm market value in multiple national contexts with different legal and corporate governance systems. In addition, this research focused on the family status of firms in as a moderator of the relationship between CSR disclosure and firms' market value. We deliberately chose to use a mixed sample of nonfamily and family firms. Nevertheless, not all family-owned businesses have the same CSR orientations and behaviors (Deniz & Suarez, 2005). Future studies could examine a sample composed exclusively of family firms and analyze the impact of some key family-owned firms' features that may boost the credibility of CSR information: the presence of the family firm's founder in a top management position, younger family firms vs. mature family firms, etc. Further, the effect of family involvement may vary based on different aspects of CSR (employee relations, ecological environment, products aspects, community relations, etc.). Indeed, family firms may be socially responsible in some CSR dimensions, yet socially irresponsible in others. Future research should consider the different dimensions of CSR disclosure separately and examine the value relevance of its different components. Finally, the potential benefits of reporting on CSR commitment related to other groups of company stakeholders, including regulatory bodies, non-governmental organizations, community, and employees, would be another promising research avenue. Meaningfully, firms disclose their CSR activities to a wide range of stakeholder groups with varying perceptions, and who do not demand the same intensity of information (Adams et al., 1998).

## Appendix A. Items of Grenelle II Act and their accordance with the GRI guidelines

| Components | Description |
|---|---|
| 1 Social Reporting (19 items) | |
| 1.1 Employment | 1.1.1 Number of employees and their breakdown according to age, gender and geographic distribution (based on numbered data and diagram) |
| | 1.1.2 Hiring and firing |
| | 1.1.3 Remuneration and its evolution |
| 1.2 Organization of work | 1.2.1 Organization of working time (flexibility of working hours, weekly working hours...) |
| | 1.2.2 Absenteeism |
| 1.3 Labor relations | 1.3.1 Social dialogue (information procedures, consultation of the staff and negotiation with employers) |
| | 1.3.2 Outcome of the collective agreements |
| 1.4 Occupational health and safety | 1.4.1 Health and safety conditions at work |
| | 1.4.2 Outcome of the collective agreements signed with trade unions and staff representatives regarding occupational health and safety |
| | 1.4.3 Frequency and seriousness of accidents |
| 1.5 Training | 1.5.1 Policies implemented regarding training |
| | 1.5.2 Total number of training hours |
| 1.6 Equal treatment | 1.6.1 Measures promoting equality between women and men |
| | 1.6.2 Measures promoting the employment and the integration of people with disabilities |

| | |
|---|---|
| | 1.6.3 Policy against discrimination |
| 1.7 Promotion and respect of the fundamental conventions of the International Labor Organization (ILO) | 1.7.1 Respect for the right to organize and collective bargaining |
| | 1.7.2 Abolition of discrimination in employment and occupation |
| | 1.7.3 Abolition of forced or compulsory labor |
| | 1.7.4 Abolition of child labor |
| 2. Environmental Reporting (14 items) | |
| 2.1 Environmental Policy | 2.1.1 Organization of the company to take into account environmental concerns, and, if applicable, environmental evaluation and verification approaches |
| | 2.1.2 Training and information for employees on environmental protection |
| | 2.1.3 Budget devoted to environmental protection and environmental risk mitigation |
| | 2.1.4 Financial provisions for environmental risks |
| 2.2 Pollution and Waste Management | 2.2.1 Prevention, reduction and fixing of air/water/soil emissions |
| | 2.2.2 Prevention, recycling and cutting waste |
| | 2.2.3 Noise pollution and other types of pollution |
| 2.3 Sustainable use of resources | 2.3.1 Water consumption and supply considering local resources |
| | 2.3.2 Consumption of raw materials and measures taken to improve the efficiency of raw materials use |
| | 2.3.3 Energy consumption and measures to improve energy efficiency and the use of renewable energy |
| | 2.3.4 Land use |
| 2.4 Climate change | 2.4.1 Greenhouse gas emissions |
| | 2.4.2 Measures to adapt to climate change |
| 2.5 Protection of biodiversity | 2.5.1 Measures taken to save and develop biodiversity |
| 3 Sustainability reporting (9 items) | |
| 3.1 Territorial, economic and social impact of the activity | 3.1.1 Measures in favor of environment, employment and regional development |
| | 3.1.2 Measures taken toward population living in the area around the business |
| 3.2 Relationships with stakeholders | 3.2.1 Conditions for dialogue with stakeholders |
| | 3.2.2 Measures promoting partnership or sponsorship |
| 3.3 Subcontracting and suppliers | 3.3.1 Importance of subcontracting |
| | 3.3.2 Taking into account social and environmental responsibility with suppliers and subcontractors |
| 3.4 Honesty in practices | 3.4.1 Measures to prevent corruption |
| | 3.4.2 Measures in favor of health and consumer safety |
| 3.5 Measures in favor of human rights | 3.5.1 Measures preventing all forms of discrimination and promoting equal treatment |

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**Mehdi Nekhili** holds a PhD degree from the University of Burgundy in France. He is now a Professor of Financial Management at University of Maine (France) and an Affiliated Professor at ICD International Business School (France). His main research interests include accounting, auditing, banking and corporate governance. He has published several papers in various refereed journals such as Journal of Business Ethics, Auditing: Journal of Practice and Theory, Managerial Auditing Journal and Review of Accounting and Finance. He has many chapters in books. He has also edited a book entitled "International Banking Strategies".

**Haithem Nagati** is associate professor at the International Business School Paris (Groupe IGS), France. He received his PhD in management from the University Mendès France Grenoble. His interests include customer–supplier relationships, knowledge management and performance management. His work has been published in Industrial, Marketing Management, International Journal of Operations and Production Management, Production Planning and Control, and Supply Chain Forum.

**Tawhid Chtioui** holds a PhD in the University of Paris Dauphine Management Science and Leadership Development Program in Higher Education at the Harvard Graduate School of Education. Author of several scientific articles, he has also taught at several schools and universities in France and abroad and has held scientific and management positions in various business schools. He is serial entrepreneur and has held consulting and corporate training activities. Actually, he is the Dean of emlyon business school Africa.

**Claudia Rebolledo** is associate professor in the Department of Logistics and Operations Management at HEC Montréal. She holds a PhD in business administration from HEC Montréal. Her research focuses mainly on inter-firm relationships in supply chains and distribution channels. She is particularly interested in assessing the benefits and risks of customer-supplier relationships. She has published in recognized academic journals in operations, industrial marketing, and supply chain management, such as International Journal of Production Economics, International Journal of Operations and Production Management, Industrial Marketing Management, Production Planning and Control, and Technovation.