Corporate Social Responsibility in Private Family Firms:

Evidence of Stakeholder Perspective on Financial Performance

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Abstract

We aim to broad knowledge on Corporate Social Responsibility initiatives in family businesses and their relationship with financial performance. We develop a typology of family firms and characterize each of the four groups obtained in term of age, size, controlling generation, family involvement and financial performance. We also supported our hypotheses and provide evidence that family firms Corporate Social Responsibility initiatives are more developed as age, size, controlling generations and family involvement increase. We also find that family firms investment in Corporate Social Responsibility initiatives does pay, particularly when these initiatives are related to product, employees and environment.

Introduction

It is widely agreed that firms must respond to stakeholders' needs beyond those of shareholders. These demands emerge from stakeholders such as customers, employees, suppliers, community groups and governments. Managers have to satisfy their sometimes conflicting goals and, in order to achieve them; they choose to engage in Corporate Social Responsibility (CSR) activities. However, it is not clear yet the kind of activities or how many of them actually contribute to firm performance. Literature has had some contradictory evidence.

Complexity in the CSR-performance relationship may even increase if we think about the motivations behind firms CSR engagement. In particular, our concern relates to CSR in family businesses and its relationship to this type of firms' financial performance. According to Gersick et al. (1997), FF are unique because they combine two important things in life, love and work. This adds complexity to the CSR performance relationship since FF managers have to deal with more conflicting goals, including those from the family. As well, FF are known not only to aim at achieving an economic goals, but a social one, so their motivations may vary not only as a function of their customers, employees and community, but also as a function of family involvement. We think that our research contributes to understanding the implications of involving in CSR activities and their consequences in terms of financial performance in family businesses, which is the predominant form of companies worldwide. In the United States 96% of the companies are FF, in Italy 99%, in Switzerland 88%, in England 76%, in Spain71%, in Colombia 70% and in Chile, 65% (La Porta, et.al. 1996; Dane, 2006)

This article aims to understand how FF manage these sometimes contradictory goals by balancing social and economic goals through CSR activities. Specifically, we explore how different characteristics of FF affect their behavior regarding CSR, and also provide evidence on how CSR activities impact their FP. Finally, we present family firms taxonomy in Colombia and compare it with the profiles obtained by de la Cruz et al. (2005), to help explain FF and CSR relationship.

1. Literature Review and Hypothesis

We start the literature review by defining Corporate Social Responsibility, to later address the literature in CSR relationship with firm performance and finish with some theoretical and empirical propositions involving family firms' corporate social responsibility. Afterwards we develop our hypotheses rationale.

Dahlsrud (2008) developed a content analysis of existing CSR definitions, and found that the most popular one belongs to the Commission of the European Communities (2001 p.7): *"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."* Another definition among the top more frequently found is from the World Business Council for Sustainable Development (2000, p. 7) which states: *"Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as the local society at large."* The definitions in general have in common three aspects, first that it is a voluntary/motivational effort, second that it has to do with more than economic goals and third, that it entails more stakeholders than shareholders or managers.

In addition, the Council develops five dimensions to categorize the definitions. These dimensions are environmental, social, economic, stakeholder (includes employees, consumers, suppliers and communities) and voluntariness. This means that the definition of CSR as well as its activities or practices are very broad and worth of deeper analysis regarding both their antecedents and consequences. Related to the latter, Bhattacharyya (2010) establishes a framework to design strategic CSR initiatives and presents the benefits a firm can obtain when it invests in them. They are (a) sustainable competitive advantage through cost leadership, product differentiation, and strategic resource generation benefits; (b) new business opportunity benefit (new product/ process innovation for socio-economic inclusiveness and enhanced environmental sensitivity); and (c) stakeholder management benefits, such as risk socio-political, risk environmental, and risk management. Thus, both motivations and results of CSR initiatives are important and are the subject of this study, in particular in family businesses, that is why we focus our results not only on FF motivations to involve in CSR initiatives, but on FF financial performance as well.

Corporate Social Responsibility and Financial Performance

Evidence has been contradictory regarding the relationship between corporate social responsibility and firm's financial performance (FP). Corporate management has been studied through two different theories: neoclassical and stakeholder theory. The first one is based on managing a firm solely under the interests of its shareholders and the second one is based on managing the firm under the interests of its stakeholders. Khanifar et al. (2012) for example, examine empirical research and classify this relationship in three perspectives that support the negative, positive and non-existent relationship between CRS and FP. The first group of research supports Friedman's (1970) perspective on social responsibility as means to an end, i.e., firms are made to increase profits and shareholder value (neoclassical); among this group of research they include those that have found a negative relationship between CSR and FP measured by stock price changes (Vance, 1975), excess return (Wright and Ferris, 1997) or analysis's earnings-per-share forecast (Cordeiro and Sarkis, 1997). The second perspective's argument related to positive impact of companies' CSR activities on FP is based on stakeholder theory (Freeman, 1984), through which firms expand the scope of consideration in their decision-making and activities, beyond shareholders to several others stakeholders such as customers, employees, suppliers and communities. In this group are Aragón Correa et al. (2008), Bird et al. (2007), Bragdon and Marlin (1972), Klassen and McLaughlin (1996), and Orlitzky et al. (2003). According to their results, the positive relationship is possibly improving firm value by (a) immediate cost savings, (b) enhancement of firm's reputation, and (c) dissuasion of future action by regulators including government. Lastly, the third group of researcherspresent empirical evidence about the existence of too many factors that can have different effects on firm performance, resulting on no CSR- FP relationship, particularly when performance is measured using total return to investors (Abbott and Monsen, 1979; Alexander and Buchholz, 1978; Aupperle et al., 1985; Teoh et al., 1999).

Jensen (2001) introduces the Enlightened Stakeholder Theory, which explains that it is extremely unlikely that management can maximize the value of the company to its owners by following a strategy that ignores the interest of other stakeholders. Reinforcing this theory that tries to reconcile both points of views, Bird et al. (2007) focus on evaluating a range of CSR activities to determine their impact on firm's value to its owners. They found that the market is generally slow in absorbing the implications of CSR's activities into firm's market value; that being proactive in employees' management would be one area that is rewarded by the market; and that being proactive with respect to environmental issues has a negative impact on market value.

Finally, there are authors that show that depending on CSR's activities and how they are measured, the results can be different. For example, Aupperle et al. (1985) develop an instrument to asses corporate respondent's social responsibility orientation; they develop it from Carroll's (1979) CSR construct. They measure profitability through an indicator that intends to avoid others' performance proxies previously used when they studied the relationship between CSR and FP .

They include short term (one year) and long term (five year) ROA and they adjust it for risk propensities typical of various firms and industries. They found no significant relationship between strong orientation toward social responsibility and financial performance.

In the same way, Orlitzky et al. (2003) through a meta-analysis of 52 previous studies show that (a) CSR is positively correlated with financial performance, (b) the relationship tends to be directional and simultaneous, (c) reputation is an important mediator in the relationship, and (e) stakeholder mismatching, sampling error, and measurement error can explain the cross studies variation in the correlation between CSR and financial performance. They conclude that CSR is more rewarding in social activities than in environmental activities.

Quazi and O'Brien (2000) develop a two-dimensional model of corporate social responsibility and empirically test its validity. The description of the each typology is based on types of activities of CSR and financial performance. The two dimensions are the span of corporate responsibility (narrow to wider perspective) and the range of outcomes of social commitments of business (cost to benefit driven perspective). Then the model proposed has four quadrants: (a) Classical view: the CSR is a net cost derived of a narrow view of profit maximization; (b) Socioeconomic view: CSR is adopted in some degree to lead to the company benefits such as costly regulation, building customer and supplier relationships; (c) Modern view: CSR allows firms to maintain relationships with broader segments of society and it allows net benefits in the long run; and (d) Philanthropic view: CSR comes from altruistic or ethical feelings to do some good for society and is perceived as a net cost..

Johnson (2003) builds taxonomy of firms' CSR perspective to explore the relationship between CSR practices and firm performance, which incorporate much of the previous discussion in the relationship. He answers "yes, it does", to the question: "does it pay to be good?" and he explains that those firms that focus largely on positive human resources practices and customer satisfaction tend to have much better financial results than those that do not. Nevertheless, he suggests there are some typologies of business where the impact of CSR on financial performance is negative.

In the aforementioned taxonomy, which Johnson calls a continuum; he includes four types of perspectives on CSR. The first level is the Illegal/irresponsible in which companies don't adhere even to the basic or minimum legal standards regarding their social responsibility with two direct stakeholders: customers and employees. This is a very short-term perspective that either imposes pressure for the company to change or fail. The author specifies that financial performance is probably bad, because of the negative impact in their market value, at least in United States. The second level is the Compliant in which firms fulfill minimal compliance with law. These are firms that may not have the resources to further invest. Regarding the relationship between CSR activities and their financial performance, the effect could be neutral, given that they avoid the costly legal difficulties, but they prevent from developing a competitive advantage based on CSR over its competitors.

The third level Johnson calls the Fragmented one. In this perspective, firms besides law compliance engage in limited and arbitrary CSR practices. This participation in CSR practices is not strategic. It is more personal; therefore, it can be easily dropped. The impact of CSR activities in financial performance would be positive, but probably do not have a significant financial performance.

The fourth level is called Strategic in which firms have a systematic targeting of a variety of areas for superior performance. This means that they are committed to involve CSR in their strategy formulation and implementation. Firms have a clear view of the benefits regarding performance (directly or indirectly) of investing on CSR. In the long run, companies need to be more socially responsible and respond to social demands. If they don't then society may challenge them. This means that it is more costly to ignore their social responsibility than to invest in it.

The relationship in this level between CSR activities and financial performance get a maximum point, specifically with customers and employees activities. The author shows previous research to support this affirmation, for example, Berman et.al (1999), Kotterand Heskett (1992), Becker and Gerhart (1996). Finally, Johnson (2003) indicates that evidence relating CSR activities in other areas, such as environmental or community, with financial performance is very weak.

Lastly, the fifth level is called the Social advocacy. Under this perspective, firms are totally committed to CSR, it's not only part of their strategy, but also invest regardless of their consequences on firm performance. They have a very strong commitment to social change and have the means to invest in it. About the relationship between CSR activities at this level and financial performance, the author explain that are no basis to assume a positive impact, because their commitment is moral, not financial, but he adds that there is no empirical evidence to support it.

Family Firms and Corporate Social Responsibility

Sharma (2004) states that in academic literature attempts to capture the wide variety and the different forms of family involvement can be summarized in three: Joint family business definitions (Astrachan and Shanker, 2003; Heck and Stafford, 2001, Westhead and Cowling, 1998), development of multiple scales of definitions of family firms (Astrachan et al., 2002b) and development of family typologies (Sharma, 2002).

On the issue of definition of FF, Gersick et al. (1997) provide a model of three circles that describes the FF as a system, which is subdivided into three independent subsystems, but overlapping: business, ownership, and family. Each individual who is part of a family business can be placed in any of the seven sectors that form within the circles and their overlaps. This model has been very useful for understanding conflicts, dilemmas, roles, priorities, and different limits in a FF.

Given the close relationship between the family and the business in the FF, a FF definition of high performance must involve both dimensions: family and business (Mitchell et al., 2003). It is also accepted that these organizations included financial goals and other nonfinancial which are equally important (Olsom et al., 2003 and Stafford et al., 1999). According to Sharma (2004), alignment between the perspectives of stakeholders about the meaning of "success", is indeed an important predictor of it. Conversely, if there is no common definition of the goals of the organization, this generates serious conflicts. Given this, the author proposes using these two dimensions in a matrix to explain the performance of FF. In this context, the author explains that a firm with good performance in the family dimension builds emotional capital while a firm with good business performance accumulates higher financial capital, and a company can be placed in any of these combinations.

Regarding CSR, De la Cruz and Cabrera Suarez (2005) illustrate a taxonomy on FF. Their four categories are: classic approach, similar to the aforementioned Friedman's neoclassical model, the socio-economic approach in which FF involve in CSR initiatives with some recognition of its benefits, but not as part of its strategy, the philanthropic approach in which FF involve in CSR activities out of commitment with society regardless of the costs are above the benefits and the modern approach in which CSR activities are a central part and aligned with corporate strategy and are viewd as efforts towards long term benefits not only to the firm but to society. Regarding employees, it is usually thought that family businesses may hinder employee's progress because they could tend to focus on family members progress, not employees'. This means that there could be problems' of justice in FF. The question is, does this take place in all types of family businesses or as the family business develops, the CSR towards employees increases linked to their professionalization process as well (de la Cruz et.al, 2005).

De la Cruz et. al (2005) suggest there is a view which paces FF towards the philanthropic perspective, since family values, as well as their long-term orientation and concern for reputation makes them preserve employees' moral, contracts and relations, regardless of the costs. This could have a double effect on performance. On the one hand, family businesses would end up with committed and motivated employees that work hard to increase performance (individual and at the firm level), because they love the business and like the family. On the other hand, FF may tend to keep employees, regardless of their productivity, just to keep the "family" at peace and hinder performance (also individual and firm's).

The authors also found in their empirical analysis that family values may increase CSR practices in family businesses, but this happens only in the oldest and bigger businesses. This means that as age increases, family businesses may tend to be more engaged in CSR practices, beyond employees, customer's perspectives. They start foundations and will worry more for the environment. This result allows us propose our first hypothesis:

Hypothesis 1: The older the family firms, the higher their involvement in social responsibility initiatives.

Nevertheless, this perspective may present FF with a distinctive feature regarding CSR perspective. They have a concern, given values and legitimacy, but they still dislike outsiders. This implies that although they may invest in CSR practices, they are not part of their corporate strategy. Here, FF evolution may play a role. First generation may be more paternalistic and in that sense arbitrary in terms of CSR, and second and third generations may be more inclined to be participating and hence, to include CSR in their strategy. However, these all depends on family business size or age (De la Cruz et. Al, 2005). We propose the next three hypotheses based on these analyses:

Hypothesis 2: Family firms in second and subsequent generations involve more actively in CSR initiatives than those in first generation.

Hypothesis 3: Family firms in first generations involve in product and employee initiatives more than second and subsequent generation family firms.

Hypothesis 4: Family firms will demonstrate more environmental and community social initiatives with age and in second and subsequent generations.

Results from De la Cruz et.al (2005) show that there are three types of FF in terms of CSR, the philanthropic, which comprises the higher degree of generational evolution and have the highest percentage of ownership by the family. This group has the biggest percentage of non-family CEOs. FF's values or insights provided by non-family managers. De la Cruz et al (2005) state it is an opportunity for future research. The question is also, can these FFs cost disadvantages become an opportunity to increase performance? Maybe families do not know or do not use these efforts to their advantage.

Classic and socio economic groups are more similar regarding age, family involvement and generation. The main difference is size. The socio economic has the smallest firms. So their vision on CSR may be broader, but they lack the resources to make any social change or invest in CSR practices. If the bigger ones have a classic view, then the difference between one group and the other is the values, not the size, according to De la Cruz et.al (2005). Therefore, we propose the next hypothesis:

Hypothesis 5: The greater the size of family firms the higher their active involvement in CSR initiatives.

Finally, Habbershon, Nordqvist, and Zellweger (2010), Lee (2006) and Miller and Le Breton-Miller (2006) explore the relationship between family involvement and FP. They argue that family businesses FP improves when the family is involved in management and conclude that the family generates positive influences within the business, including business growth and profitability. We hypothesize that when there is family involvement in management, family concerns regarding reputation and business long run endurance and success, increases their motivation to involve in CSR initiatives (Mitchell, et. al , 2003). Therefore, we propose the following two hypotheses:

<u>Hypothesis 6</u>: The greater the family involvement in management the higher their involvement in CSR initiatives

Finally, based on Bird et. al (2007) and Orlitzky et al. (2003), we hypothesize that FF behave similar to the non FF and that activities related with employments and social issues (excluding environmental activities) would be rewarded by the market and activities related to environmental issues would appear to have a negative impact on market valuation and in firm financial performance. Therefore we propose the last two hypotheses,

<u>Hypothesis 7</u>: Family firms that are actively involved in product and employee social initiatives will outperform those that involve in them passively.

<u>Hypothesis 8</u>: Family firms that are actively involved in community and environment social initiatives will not outperform those that involve in them passively.

2. Methodology

Sample

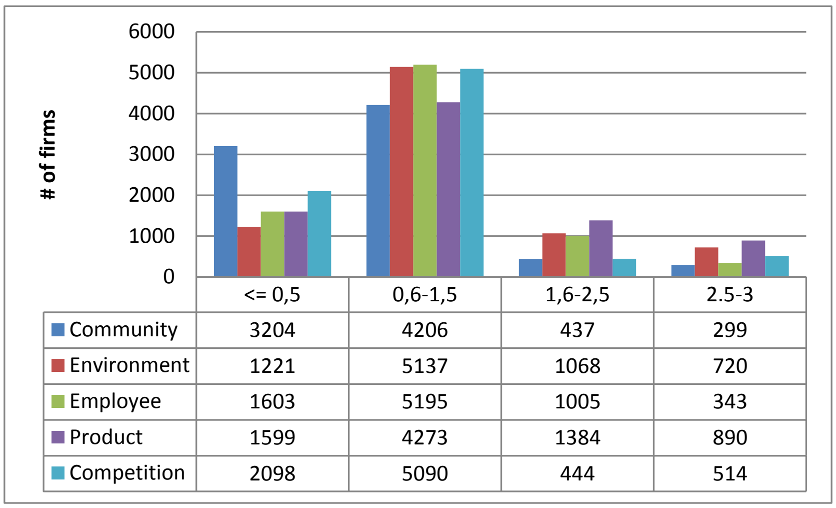
This study used data from Superintendencia de Sociedades (SS), the agency in charge of supervising and controlling commercial firms in Colombia, in particular family firms. This entity recollects information about corporate governance of firms in particular on social responsibility, which includes questions in areas as: community, environment, work environment, and competitive product; the total number of questions that summarizes this aspect is 26. This information is of character mandatory for commercial firms from 1999. For this year, the database was formed by 18.565 firms, which 8.146 are family firms. It is important to note that we only take information from 2009 to the analysis since the survey changed from 2010, and no longer has the information at this level of disaggregation.

We create an index for each area in social responsibility: community, environment, employee, and product and competence. These indexes were constructed taking an average of answers given by firms to questions in each topic[1]. Table 1 and Figure 1 present descriptive statistics and histogram of each index.

Table 1. Descriptive statistics of indexes of CSR

Statistic	Community Index	Environment Index	Employee Index	Product Index	Competition Index
Average	0.80	1.18	0.99	1.18	0.99
Standard desviation	0.69	0.75	0.64	0.83	0.72

Figure 1. Histogram of CSR



It is observed that the majority of FF in terms of CSR focuses on making the minimum actions in all initiatives (community - 51.8%, environment – 62.3%, employee - 62.5%, product – 52.2% and competence 60.5%). The percentage of FF that are focused on doing the maximum in CSR is the lowest (community - 4.2%, environment – 10.2%, employee - 4.9%, product – 12.3% and competition 7.6%)

This research evaluates behavior of FF on CSR and its interaction with characteristics of FF such as: age, size and controlling generation. In this sense, we characterize the FF in our sample based on these variables.

Statistical Analysis

We use a factorial MANOVA to test hypotheses 1, 2, 5 and 6 with the following model:

$CSR_{ijklm} = Age_i + Size_j + Control_k + Manag_l + \varepsilon_{ijklm}$, i=1,…,4; j=1,..,3; k=1,…,3; l=1,…4, m=1,…,8.146.

Where,

CRS_{ijklm}: refers to the Social Responsibility Index for observation ijkl.

[1] The scale used varies between 0 and 3, as follows: 0 indicates that the firm does not take actions, 1 indicates that the firms takes actions, 2 shows that the firm performs actions and these are documented, and 3 indicates that the firm performs actions, documents and evaluates them. So 0 is the minimum and 3 is the maximum level of initiatives in CSR.

Age_i: refers to the FF age groups.

$Size_j$: refers to the three FF size groups.

$Control_k$: refers to FF controlling generation.

$Manag_l$: refers to family members involvement in management.

We build the dependent variable using a global index of CSR by taking an average of individual indexes giving equal weight to the five areas surveyed: community, environment, employees, product and competition. The index is a continuous variable that captures the CSR practices of FF.

The independent categorical variables used for the study are age, size, controlling generation and family involvement in management. These variables allow establishing differences in the degree of CSR developed by the FF. We define four groups of age: i) less 15 years (age 1), ii) between 15 and 30 years (age 2), iii) between 30 and 50 years (age 3) and, iv) more than 50 years (age 4). We know if the controlling generation is first, second or third. The size is categorized according to FF assets, according with current regulations in Colombia (Ley 590 de 2000), i.e. i) Big, ii) Medium, and iii) Small. We categorize family members involvement in management as a proxy of the percentage of internal members in the Board of Directors in four levels: i) Board does not have family members, ii) percentage of internal members is less than or equal to 25%, iii) percentage of internal members is between 25% and 50%, and iv) percentage of internal members is above 50%.

In order to test Hypothesis 3 we use a factorial ANOVA. The models used are as follows:

$Employee\_Index_{kl} = Control_k + \varepsilon_{kl}$, k=1,…,3; l=1,…,8.146.

$Product\_Index_{kl} = Control_k + \varepsilon_{kl}$, i=1,…,4; k=1,…,3; l=1,…,8.146.

Where:

$Employee\_Index_{kl}$: refers to the index about employees' initiatives.

$Product\_Index_{kl}$: refers to the index about products initiatives.

$Control_k$: refers to controlling generation.

Hypothesis 4 is tested using a factorial MANOVA with the following models:

$Environment\_Index_{ikl} = Age_i + Control_k + \varepsilon_{ikl}$, i=1,…,4; k=1,…,3; l=1,…,8.146.

$Community\_Index_{ikl} = Age_i + Control_k + \varepsilon_{ikl}$, i=1,…,4; k=1,…,3; l=1,…,8.146.

Where:

$Environment\_Index_{ikl}$: refers to the index about environmental initiatives.

$Community\_Index_{ikl}$: refers to the index about community initiatives.

Age_i: refers to FF age groups.

$Control_k$: refers to controlling generation.

A MANOVA is used to test hypothesis 7. In this case we used the survey's questions on each topic. In the case of Product there are five questions: i) research and innovation, ii) Quality of product's information, iii) Technical standards compliance, iv) Strategies to answer customer complaints and v) Suppliers' strengthening and development. For employees there are nine questions regarding: i) fringe benefits, ii) respect for freedom of association, iii) encouraging employee involvement, iv) prevention and mitigation of professionals risks, v) support for employees' training, vi) promotion of professional development, vii) Non-discrimination policies, viii) elimination of child labor practices and ix) elimination of forced labor. The model proposed is the following:

$ROA_{ijk} = Product_i + Employee_j + \varepsilon_{ijk}$, i=1,…,5; k=1,…,9; l=1,…,6; k=1,…8.146.

Lastly, to test Hypothesis 8 we also used a MANOVA involving community and environment questions. In the case of community there are five questions: i) Minimization of community impact, ii) Community relationships, iii) Human rights respect, iv) Human rights promotion. For environment we used six questions as follows: i) Raw material quality improvement, ii) Material's reduction, iii) Energy consumption reduction, iv) Water consumption reduction, v) Operations R&D, and vi) Pollution reduction. The model proposed is,

$ROA_{ijk} = Community_i + Environment_j + \varepsilon_{ijk}$, i=1,…,4; j=1,…,6; k=1,…8.146.

3. Results

As follows we present our results regarding our suggested typology of family firms and our hypotheses testing results.

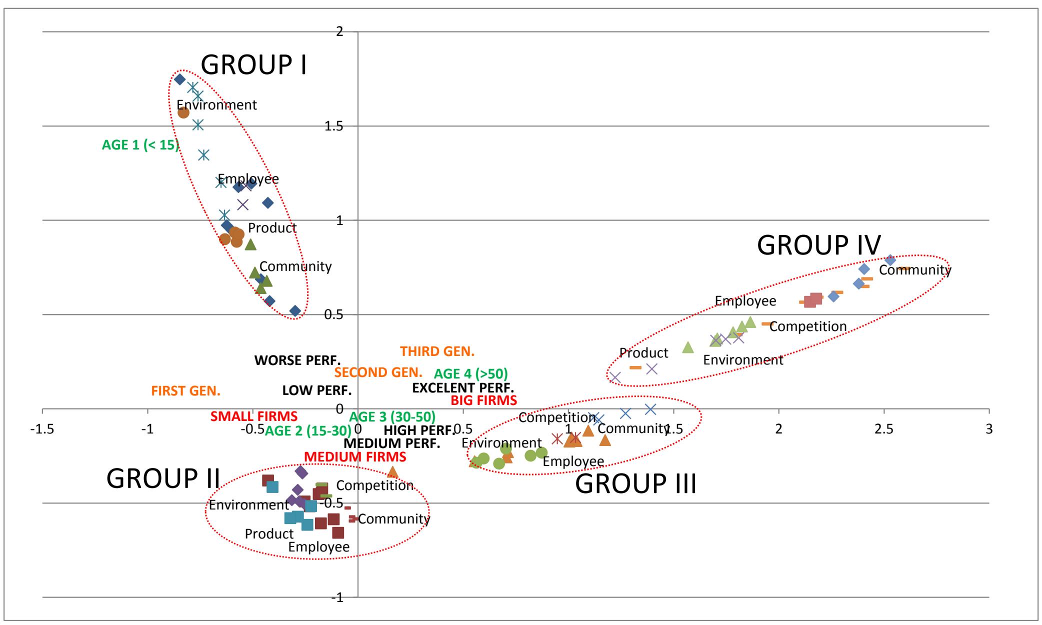
Typology of Family Firms Corporate Social Responsibility

We used correspondence multiple analysis to develop the typology of FF CSR and characterize the differential groups. The CSR approach of the Colombian FFs is identified by applying a correlation analysis in which we include all categorical variables from the SS survey and the variable size of the firm. Figure 2 shows the final solution cluster.

The negative part of the x axis is formed by micro and small-sized companies that have do not perform actions (0), or do the minimum (1) in all groups of variables. The positive X axis is formed by medium and large size companies that perform actions and documents (2) and also they measure and evaluate the CSR initiatives (3), in all aspects of all variables. In others words, these FF have the maximum level of CSR initiatives. The negative side of the y axis includes FF that do nothing in CSR regarding environment and employee initiatives; and the other side includes FF that make the minimum number of product and environmental initiatives.

Given the axis explained above and the plotter analysis in Figure 2, we characterize FF in four groups: irresponsible teenagers, concerned youngsters, strategic adults and committed heterogeneous. The first group is composed by the smallest and youngest group of first generation companies, characterized by having no involvement in CSR initiatives and the poorest financial performance results. The second group is composed by first and second generation companies founded between 10 and 15 years ago, of mid size and that execute the minimum CSR initiatives, most likely law compliant companies with low financial performance. The third group is composed by second and third generation companies founded over 30 years ago, of mid and big size, with the best financial performance, that focus on measuring and evaluating their CSR initiatives. The last group is the most committed group in terms of CSR initiatives, given their maximum level in our CSR index, however, their also the more heterogeneous group regarding the variables used to characterize the other groups (age, generation, size and performance).

Figure 2. Typology of Family Firms Corporate Social Responsibility



Hypotheses Testing Results

Table 2 shows evidence that age, controlling generation, size and family involvement in management are significantly related to FF CSR initiatives. Table 3 shows the means comparison between the categories within each variable. Tukey test in age provides evidence that there are differences among the oldest and the youngest FF, in particular the means difference between these two groups is positive, which means that oldest FF are more involved in CSR initiatives than the youngest, thus hypothesis 1 is supported.

Table 2: MANOVA with dependent variable CSR

Variable Independent	Category	# of cases	Average	Standard desviation	F
Age[a]	Age 1	2307	1.0341	0.6181	87.46
	Age 2	3647	1.0974	0.6408	
	Age 3	1956	1.0398	0.6414	
	Age 4	236	1.2306	0.7331	
	Total	8146			
Size[a]	Big	971	1.2684	0.734698	11.56
	Small	4050	0.9907	0.5974	
	Medium	3125	1.1097	0.64142004	
	Total	971			
Control[a]	First Generation	6727	1.06	0.6277	5.51
	Second Generation	1308	1.1068	0.68204	
	Third Generation	111	1.1999	0.7351	
	Total	8146			
Manag[a]	Not Participate	4108	0.9948	0.6176	
	Low	239	1.1032	0.6417	
	Medium	644	1.1819	0.659	
	High	3155	1.1411	0.6497	
	Total	8146			

[a] p < 0,01

Table 3: Tukey HSD Test for CSR

Age (I)	Age (J)	Mean difference (I-J)	Significance
Age 4	Age 1	0.19659	***
	Age 2	0.13322	***
	Age 3	0.19085	***
Age 3	Age 1	0.00575	
	Age 2	-0.05762	***
	Age 4	-0.19085	***
Age 2	Age 1	0.06337	***
	Age 3	0.05762	***
	Age 4	-0.13322	***
Age 1	Age 2	-0.06337	***
	Age 3	-0.00575	
	Age 4	-0.19659	***

Management (I)	Manageme nt (J)	Mean difference (I-J)	Significance
High	Non Particip	0.14629	***
	Low	0.03789	
	Medium	-0.04081	
Medium	Non Particip	0.18709	***
	Low	0.0787	
	High	0.04081	
Low	Non Particip	0.10839	***
	Medium	-0.0787	
	High	-0.03789	
Non_Participate	Low	-0.10839	***
	Medium	-0.18709	***
	High	-0.14629	***

Size (I)	Size (J)	Mean difference (I-J)	Significance
Big	Medium	0.15866	***
	Small	0.2776	***
Medium	Big	-0.15866	***
	Small	0.11894	***
Small	Big	-0.2776	***
	Medium	-0.11894	***

Generation (I)	Generation (J)	Mean difference (I-J)	Significance
Third	First	0.13994	
	Second	0.09309	
Second	First	0.04685	***
	Third	-0.09309	
First	Second	-0.04685	***
	Third	-0.13994	

***Comparisons significant at the 0.05 level

Regarding controlling generation, Tukey test (See Table 3) provides evidence that there are also differences among the first and second generations, in particular the means difference between these two groups is negative, which means that there is more second generation FF's involvement in CSR initiatives, therefore hypothesis 2 is supported, as suggested by De la Cruz et.al, (2005). As for FF size, we also found differences among all sizes, evidencing that the bigger the companies, the greater their involvement in CSR initiatives, thus providing evidence to support hypothesis 5. Lastly, we found that companies in which family involvement is non-existent, have lower involvement in CSR initiatives compared to companies where family involvement in management occurs. Thus, this result supports hypothesis 6.

Tables 4 to 7 contain ANOVA results and means comparison to test hypothesis 3. We find that the controlling generation is related to product and employee indexes. The means comparison provides evidence that second and subsequent generations' involvement in CSR initiatives regarding product and employees is greater, thus hypothesis 3 is supported (See tables 5 and 7).

Table 4: ANOVA with dependent variable Employee Index

Variable Independent	Category	# of cases	Average	Standard desviation	F
Control[a]	First Generation	6727	0.9781	0.6298	11.76
	Second Generation	1308	1.0547	0.6953	
	Third Generation	111	1.1641	0.759	
	Total	8146			

[a] p < 0,01

Table 5: Tukey HSD Test for Employee Index

Generation (I)	Generation (J)	Mean difference (I-J)	Significance
Third	First	0.18598	***
	Second	0.10946	
Second	First	0.07653	***
	Third	-0.10946	
First	Second	-0.18598	***
	Third	-0.07653	***

***Comparisons significant at the 0.05 level

Table 6: ANOVA with dependent variable Product

Variable Independent	Category	# of cases	Average	Standard desviation	F
Control[a]	First Generation	6727	1.17068	0.8166	2.5
	Second Generation	1308	1.22568	0.88078	
	Third Generation	111	1.35676	0.9555	
	Total	8146			

[a] p < 0,1

Table 7: Tukey HSD Test for Product Index

Generation (I)	Generation (J)	Mean difference (I-J)	Significance
Third	First	0.18607	***
	Second	0.13107	
Second	First	0.055	
	Third	-0.13107	
First	Second	-0.18607	
	Third	-0.055	***

***Comparisons significant at the 0.05 level

Tables 8 and 9 contain MANOVA results and means comparisons to test hypothesis 4. We find that age and controlling generation are both related to the environmental index but not to the community index, at 5% level of significance. The means comparison provides evidence that oldest FF as well as second and subsequent generation FF's involvement in environmental CSR initiatives is greater, thus partially supporting hypothesis 4.

Table 8: MANOVA with dependent variable Environment Index

Variable Independent	Category	# of cases	Average	Standard desviation	F
Age[a]	Age 1	2307	1.1461	0.7214	9.32
	Age 2	3647	1.2029	0.7458	
	Age 3	1956	1.1668	0.766	
	Age 4	236	1.3941	0.8821	
	Total	8146			
Control[a]	First Generation	6727	1.1676	0.7331	11.96
	Second Generation	1308	1.2464	0.8057	
	Third Generation	111	1.4249	0.9343	
	Total	8146			

[a] p < 0,0001

Table 9: Tukey HSD Test for Environment Index

Age (I)	Age (J)	Mean difference (I-J)	Significance
Age 4	Age 1	0.24792	***
	Age 2	0.22732	***
	Age 3	0.19107	***
Age 3	Age 1	0.0206	
	Age 2	-0.03625	
	Age 4	-0.22732	***
Age 2	Age 1	0.5685	***
	Age 3	-0.0206	
	Age 4	-0.24792	***
Age 1	Age 2	-0.5685	***
	Age 3	-0.0206	
	Age 4	-0.24792	***

Generation (I)	Generation (J)	Mean difference (I-J)	Significance
Third	First	0.13994	
	Second	0.09309	
Second	First	0.04685	***
	Third	-0.09309	
First	Second	-0.04685	***
	Third	-0.13994	

***Comparisons significant at the 0.05 level

Table 10 presents MANOVA results to test hypothesis 7. We find that four out of the nine employees' survey questions are significant at less than 10% level. These questions are related to prevention and mitigation of professional risks, support for employees' training, promotion of professional development and non-discrimination policies. The means comparison provides evidence that FF that present the maximum index in employees CSR initiatives, in particular employees training and professional development activities, have better FP than those who do nothing in CSR. Regarding product, we find that four out of the five survey questions are significant at 5% level of significance. These questions are related to research and innovation, quality of product's information, technical standards compliance, and suppliers' strengthening and development. The means comparison provides evidence that FFs that present the maximum index in product CSR initiatives have better FP than those who do nothing in CSR. Thus, hypotheses 7 is supported.

Table 10: MANOVA with dependent variable ROA

Variable Independent	Category	# of cases	Average	Standard desviation	F
Benefits	0	3293	0.0222	0.234	1.59
	1	3429	0.03062	0.1718	
	2	731	0.02818	0.4432	
	3	693	0.03919	0.1408	
Free_Association	0	3911	0.0234	0.256	0.94
	1	3464	0.0296	0.2212	
	2	356	0.03457	0.1386	
	3	415	0.03892	0.1218	
Involv[a]	0	3019	0.0253	0.1406	1.19
	1	4027	0.0283	0.2386	
	2	476	0.0152	0.5439	
	3	624	0.04029	0.1186	
Prev_Risk[b]	0	916	0.01311	0.243	3.11
	1	4293	0.02393	0.2234	
	2	1096	0.03699	0.0989	
	3	1841	0.0367	0.2942	
Training[c]	0	1990	0.0217	0.1127	2.52
	1	4261	0.027	0.2231	
	2	874	0.02153	0.46025	
	3	1021	0.04478	0.1256	
Developm[b]	0	2131	0.02138	0.1217	2.73
	1	4399	0.0252	0.2798	
	2	692	0.0347	0.2582	
	3	924	0.0455	0.133	
Non_Discrim[c]	0	1744	0.0265	0.1084	2.55
	1	5276	0.0239	0.2774	
	2	467	0.0466	0.0811	
	3	659	0.0434	0.1159	
Elim_Child	0	1744	0.0265	0.1084	0.44
	1	5276	0.0239	0.2774	
	2	467	0.04665	0.0811	
	3	659	0.0434	0.1159	
Elim_forced	0	1835	0.0284	0.0973	0.83
	1	5346	0.0268	0.2261	
	2	448	0.0195	0.5608	
	3	517	0.036	0.1203	

[a] p < 0,01, [b] p < 0,05, [c] p < 0,1

Table 11 presents MANOVA results to test hypothesis 8. We find that three out of the six environmental survey questions are significant at 5% level of significance. These questions are related to raw material quality improvement, operations’ R&D, and pollution reduction. The means comparison provides evidence that FFs that present the maximum index in environmental CSR initiative, present better FP than those who do nothing in CSR. Regarding community, we find that no questions are significant. Thus, hypothesis 8 is partially supported.

Table 11: MANOVA with dependent variable ROA

Variable Independent	Category	# of cases	Average	Standard desviation	F
Quality[a]	0	1480	0.0243	0.1484	3.47
	1	4596	0.0227	0.2734	
	2	714	0.0293	0.2661	
	3	1356	0.0454	0.0921	
Quantity_Red	0	1691	0.0233	0.1587	1.83
	1	4705	0.0247	0.2672	
	2	540	0.03175	0.2896	
	3	1210	0.041	0.11064	
Energy_Red	0	899	0.0251	0.1441	1.12
	1	5800	0.0252	0.2628	
	2	366	0.036	0.1359	
	3	1081	0.0379	0.1085	
Water_Red	0	958	0.0255	0.1412	0.99
	1	5773	0.0252	0.2635	
	2	366	0.0379	0.131	
	3	1049	0.0367	0.1081	
R&D[a]	0	1923	0.0124	0.3116	4.9
	1	4421	0.0283	0.2087	
	2	654	0.0375	0.2637	
	3	1148	0.0433	0.1087	
Pollution_Red[a]	0	1253	0.01385	0.36	2.95
	1	5166	0.0267	0.2215	
	2	598	0.03659	0.1219	
	3	1129	0.0404	0.1111	

[a] p < 0,05

4. Conclusions and implications

Regarding our typology of Family firms CSR initiatives, we found somehow similar results from De la Cruz (2005) and Johnson's (2003) taxonomy. Our irresponsible teenagers category is similar to Quazi and O'brien's classical view and Johnson's irresponsible level, however, their justifications could be different. These companies are probably tin the entrepreneurial stage and their focus is on business survival. Although this does not serve as an excuse to be socially irresponsible, at least their lack of concern could be understandable. In that sense, our study's contribution is that FF have similar behaviors as non FFs, in the early stages of development. Johnson suggests an inflection point in which companies thohough committed to CSR go beyond a threshold that starts constraining their financial performance (Strategic level). We find that this category in our FFs typology, which corresponds to the Strategic adults category. This is as well consistent with Quazi and O'brien's Modern view. Another contribution of our study is that we grouped FF's CSR initiatives and characterized each one of them in terms of their age, size, controlling generation and family involvement in management.

As for our hypotheses testing results, we find that most of them were supported, which means that CSR initiatives are more developed as age, size, controlling generations and family involvement increase, coinciding with what De la Cruz et. al. (2005) and Lee (2006) found. Moreover, our most important finding is that investing in CSR initiatives does pay, particularly when these initiatives are related to product, employees and environment. These results are consistent with

Quazi and O'brien (2000), Bird et.al. (2007), Orlitzky et.al. (2003) and Johnson (2003), but regarding FF, which is our contribution.

One of our limitations is that our study is constrained to 1 year data given that the SS agency did not collect panel data. In addition, in order to improve our taxonomy in FF CSR initiatives, doing a cluster analysis or other statistical methodologies to strengthen our characterization. Lastly, we did not test for robustness in the case of FP by taking other measures such as risk correction and medium and long term ROA, as suggested by Aupperle (1986). For future research, we are considering to include the total investment in CSR initiatives given that the new survey from the SS agency has been collecting this information from 2010 to 2012. As well, the use of panel data as a methodology could be an alternative to measure causality.

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