Family Governance and the Moral Obligation of Businesses to Serve Their Communities

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Annotation: The concept of corporate social responsibility is increasingly being embraced by businesses of all kinds and in all areas of society. The necessity of conducting an investigation on the level of Corporate Social Responsibility performance by family businesses is one of the aims of this article. Second, the purpose of this article was to investigate how well non-family businesses perform in terms of their corporate social responsibility obligations. The practise of corporate social responsibility has continued to gain ground in the business world. In the context of a company, "Corporate Social Responsibility" refers to any extracurricular endeavours that go above and beyond the company's routine operations in order to further the common good. Corporate Social Responsibility, for example, has been shown to contribute to increased stock returns, increased access to financing, increased opportunities for companies to merge, and increased opportunities for firms to reduce the cost of their capital. These findings, which have been expressed in a variety of studies, show that companies place a great deal of importance on corporate social responsibility. For example, to demonstrate how much importance companies place on corporate social responsibility, consider the following: the findings expressed in these studies show that corporate social responsibility contributes towards increased stock returns. However, only a few studies have shown that Corporate Social Responsibility is dependent on a few determinants such as regulations, characteristics of chief executive officers, political affiliations, as well as national institutions; the study adopted questionnaire instruments to collect primary data through a survey approach from respondents from family-controlled and non-family-controlled companies. According to the data, family-controlled businesses had a poorer performance in terms of corporate social responsibility than non-family-controlled businesses.

Keywords: Corporate Social Responsibility, Family-controlled firms, Non-family-controlled.

Introduction

The practise of corporate social responsibility has continued to gain ground in the business world. According to a recent investigation that was carried out, Corporate Social Responsibility refers to actions taken by businesses that extend beyond their typical operations in order to concentrate on the promotion of social welfare [1]. For instance, in order to demonstrate that businesses place a significant amount of importance on Corporate Social
Responsibility, a study reveals that more than 93 percent of the Fortune 140 companies indicated in their financial year statements that they had set aside some money on their budget to spend on Corporate Social Responsibility activities [2-7]. This demonstrates that businesses place a significant amount of importance on this topic. Additional research that focuses on Corporate Social Responsibility has explored the effect that it has on the actions of businesses. This research has been published in several academic journals [8]. The findings of several research indicate that Corporate Social Responsibility leads towards increased stock returns, increased access to funding, creates an opportunity for companies to merge, and creates an avenue for firms to minimise the cost of their capital [9-15]. However, few research have revealed that Corporate Social Responsibility is dependent on a few factors such as rules, characteristics of chief executive officers, political affiliations, and national institutions. These findings have been gleaned from the few studies that have been conducted [16]. The purpose of this study is to evaluate the extent to which the ownership structure of banking institutions and, more crucially, family control, impacts the performance of Corporate Social Responsibility [17-22]. In addition, the research investigates the impact that corporate governance plays in encouraging family-owned businesses to allocate a larger portion of their budgets to corporate social responsibility initiatives by looking at how it influences incentives [23].

Studies have applied a variety of ideas in order to explain the differences between family-controlled businesses and other types of businesses. For instance, a recent study used agency theory to explain why family-controlled businesses should have less disagreements amongst their various agencies, such as shareholders and managers. This conclusion was reached by applying the theory to the research [24-27]. This comparative examination of family-controlled and non-family-controlled businesses revealed that companies in which family members owned a stake tended to have more effective management and monitoring systems. Other research, on the other hand, contend that family-controlled businesses frequently face increasing agency difficulties among big and minor shareholders due to the fact that these shareholders are tasked with the job of controlling the entire organisation [28-33]. A company that controls all of its shareholders may be able to convince other shareholders that there is a cause to pursue benefits that are typical of enterprises that are not family-controlled [34]. When corporate social responsibility is taken into account, dominant family members depend on their powers of voting rights to determine how a firm allocates resources between key projects of a firm and those that seek to achieve social good in the community where such firms operate. This helps determine how a firm fulfils its responsibility to be socially responsible [35-41]. According to this line of reasoning, the majority of companies controlled by families have a poorer track record when it comes to activities related to corporate social responsibility than organisations that are not controlled by families [42].

It is essential to point out, however, that concerns over the reputation and long-term performance of corporations are what decide the total performance of a company with regard to Corporate Social Responsibility [43]. According to the findings of a study, businesses that are run by members of the same family tend to have better reputations than their counterparts that are controlled by members of other families [44-49]. Both a company's level of success and its brand name are directly correlated to the reputation that it has earned over the course of its existence. As a result, businesses that are run by a family work hard to establish a name for themselves in the marketplace by participating in an increased number of corporate social responsibility activities in the local community [50]. In addition, because dominant family members tend to gain higher stakes in their firms during the process of determining the long-term horizon of a company, these individuals strive to formulate strategies that strengthen long-term relationships with other stakeholders by participating in the majority of activities that fall under the umbrella of corporate social responsibility [51-63].

In the Middle East region, Corporate Social Responsibility is evolving and progressing over philanthropy; firms and bankers consider it necessary for business. They either undertake a business strategy based on the concept of Corporate Social Responsibility or choose to be philanthropic. In the Middle East region, Corporate Social
Responsibility is evolving and progressing over philanthropy [64-71]. Firms and bankers consider it necessary for business. A number of years ago, we were witnesses to recruitment in firms and bankers for new workers or training for the existing staff in the field of Corporate Social Responsibility to develop the associated department. This training was provided in order to build the relevant department. Companies and bankers are becoming more aware of the significance of Corporate Social Responsibility, but it will take them a considerable amount of time to build corporate social responsibility into an effective department, just as it has in Europe and other parts of the world. In addition, to be more precise, the UAE and Oman started to implement Corporate Social Responsibility on a massive scale; they put a lot of effort into developing it, so that it eventually got ingrained in their way of life [72].

The goals of this study can be broken down into two categories. First, the article investigates the extent of the performance of family businesses with regard to Corporate Social Responsibility. Second, the research investigates the extent of the performance of non-family businesses with regard to Corporate Social Responsibility [73-88]. Next, we will discuss the two theoretical underpinnings that are the most important and appropriate with regard to issues of Corporate Social Responsibility and performance. Stakeholder theory and agency theory are two explanations for why managers and owners of businesses are given the authority to decide how resources should be used, despite the fact that other ideas have been developed via research [89]. According to the stakeholder theory, managers have a responsibility to work toward satisfying the needs of various shareholders who have an influence on the outcomes of a company. It is not the only responsibility of managers to fulfill the requirements and wishes of the shareholders or the owners of the corporation [90-95].

On the other hand, the stakeholder theory suggests that it would be significant for managers to engage in certain Corporate Social Responsibility initiatives that non-financial stakeholders view as important; otherwise, these groups may withdraw their support for the company [96-101]. This is because the theory suggests that managers should engage in certain corporate social responsibility initiatives that non-financial stakeholders view as important. The family business is accountable to a large number of stakeholders, something that is not required of businesses that are not run by families. As a result of the difficulties that accompany family businesses, such as the pressure to protect the socioemotional investment made by the family and concerns regarding the reputations of both the family and the business, the lead managers of family businesses perceive and coordinate the interests of the stakeholders in a manner that is distinct from the manner in which non-family businesses do so [102-105].

The coordination of the various stakeholders' interests is what the stakeholder theory seeks to describe. According to the stakeholder theory, the connection between a company and its various stakeholders is a complicated one [106-111]. Because of this approach, the concept of "proactive stakeholder engagement" has emerged, which refers to the organization's readiness to foresee and put into action measures to meet the requirements. There are three different sorts of stakeholder qualities, each of which has a different kind of influence [112-119]. The distinction is in the power itself, which describes the capacities of those who have it to accomplish the goals they have set for themselves. Following that is the legitimacy, which carries with it the ethical, moral, and social needs, as well as the urgency, which characterises the degree to which stakeholders delay responding to their requests. Companies could participate in Corporate Social Responsibility activities for their own internal motivations, with the belief that doing so is an essential part of being a decent global citizen [120]. Thirdly, to provide the company with contracted benefits such as inspiring staff and recruiting and retaining them. This is another rationale for appealing diverse stakeholder groups. Other motivations include a goal to attract customers, resolving environmental concerns to lower production costs, and the possibility that Corporate Social Responsibility might be seen as an essential component of a company's overall risk management [121-129]. Having finished a literature review on the topic of Corporate Social Responsibility and its practise in a variety of firms as well as theoretical frameworks, it is now time to move on to the next step, which is to formulate a hypothesis. Moreover, this section
makes use of the theoretical frameworks that were discussed before in order to construct two hypotheses that will be investigated in this research [130].

As a result of the rights and control exercised by family members, family-controlled firms have a greater propensity to have less agency conflicts between the shareholders and managers of such firms than non-family companies do. The literature is supported by previous findings from work that was carried out, which argues that agency conflicts that arise in the firm affect both the firm's own manager as well as outside shareholders [131-137]. This is because managers have a tendency to allocate perks and benefits for their own use out of the resources available to the company. Furthermore, it is hypothesised that large owners in companies, when owned by the majority of family members, gain increased incentives for them to watch the behaviours of their managers. This is because large owners in companies have a greater stake in the company's success. One can argue that one cannot compare the control of family firms to that of non-family firms such as financial institutions, publicly held firms, or state firms; however, it is imperative to understand that many of the problems that come from agency theory between major shareholders and minority shareholders are because of incentives for key shareholders to control minority shareholders for their interests [138]. It is imperative to understand that many of the problems that come from agency theory between major shareholders and minority shareholders are because of incentives for key shareholders to control minority shareholders for their interests [139]. These companies will invariably have the support of the majority of large owners, each of whom has an equal motivation to dominate the company. In most family businesses, the majority of the controlling family members pass their ownership down down the generations, and members of the same family have always held positions of leadership [140-149].

For example, one study indicates that the growing preference for dividends among family members makes it hard to continue investing in physical capital [150]. This conclusion was reached after doing the study. On addition, it comes to the conclusion that the majority of businesses managed and owned by members of the same family do not invest a significant portion of their profits in research and development [151-157]. A developed neo-institutional theory makes use of the duality of block ownership to explore the connection between actions related to corporate social responsibility and disclosure. In general, the previous foundations show that members of a family who exert control over their first obtain more incentives to shift their wealth, such as investments in activities related to corporate social responsibility [158]. They accomplish this by fraudulently recording underperformance and misappropriating funds from minority shareholders.

In addition to the expropriation viewpoint, which compels controlling families to invest their resources in other endeavours, the reputation and long-term perspectives offer an alternative viewpoint, which explains why businesses always invest in Corporate Social Responsibility activities in order to bolster their image with stakeholders [159-167]. The performance of family businesses can benefit from having a good reputation. Both the company's name and the way it presents itself to its stakeholders might benefit from having a stronger image. For instance, family members who are responsible for taking on higher roles in a company always work toward the goal of ensuring that their firms do not lose their positive reputation [168]. They do this because of the worry that if they do the other thing, they would have a greater chance of incurring losses, which will lead to the eventual cessation of their business activities. In addition, family-controlled businesses are more likely to pursue a variety of non-financial goals. This is due to the fact that, in addition to their financial goals, these businesses consider methods in which they might hand the business down to subsequent generations [169]. Each of the non-financial goals should focus on developing strategies that will help them achieve their socioemotional goals. According to the findings that were presented in the studies that were discussed earlier, businesses that are controlled by families have a distinct advantage over businesses that are not controlled by families because of their desire to improve their public image by participating in activities that fall under the category of corporate social responsibility [170-171].
According to the findings of the study, boards of directors constantly evaluate whether or not a company has followed with rules and regulations, and they also offer advice on how to increase a company's efficiency and the number of resources it has access to. In addition, according to a neo-institutional theory, a larger number of board members can help to improve the performance of a company and the value it provides to all of its stakeholders by ensuring that it complies with rules and regulations. What this theory also explains is that the presence of diverse board members will make it possible for a company to build a more positive reputation. One possible interpretation of this might be from the point of view of legitimation, for example. This indicates that businesses with large boards make an effort to participate in stronger Corporate Social Responsibility initiatives and disclose their efforts. In addition, one may claim that companies with larger board sizes are more likely to struggle with problems such as free riding, coordination, dodging obligations, and communication. As a direct consequence of this, there is little supervision of management, which ultimately leads to domination. In essence, this might have a negative impact on the performance of the company's Corporate Social Responsibility programme.

The appendix describes how the questionnaire is broken up into four different sections. In the first part of the report, we cover some of the most fundamental facts, like gender, marital status, work department, business industry, and length of time spent working for the company. This research makes use of list questions, which give the participants a variety of options from which to choose. The research solicits responses to four questions in order to obtain information regarding who owns the most shares in the firm, who has the highest percentage of shares, who has voting rights, and what positions family members have in the business. In the third section, the questions that concern family-level restrictions take front stage. For instance, the research solicits responses to eight questions in order to gain insight into the perspectives of respondents regarding the current assets in dollars, the number of years that the business has been in operation, the total debt in dollars, the total net income, sales, and spending on research and development activities, in addition to the total number of board members who are currently in their roles. In the fourth section, we discuss the performance of the company in terms of its Corporate Social Responsibility obligations as well as the degree to which it participates in activities related to these obligations.

In addition to the expropriation perspective, which encourages controlling families to invest their resources in other pursuits, the reputation perspective and the long-term perspective offer an alternative viewpoint, which explains why businesses always invest in Corporate Social Responsibility activities in order to strengthen their image with stakeholders. The effectiveness of family businesses can be improved with positive public perception. The way in which a firm portrays itself in the eyes of stakeholders and the name both benefit from an improved image. For instance, family members who are responsible for acquiring higher positions in a company always work towards ensuring that their firms do not lose their good name. They act this way out of the concern that if they do the other thing, they will increase the likelihood that they will incur losses, which will eventually lead to the cessation of their business operations. In addition, family-controlled businesses are more likely to pursue a variety of non-financial goals in addition to their financial ambitions. This is due to the fact that these businesses consider ways in which they can hand the business down to succeeding generations in addition to their financial ambitions. Every one of the non-financial goals should be geared at finding ways to improve their socioemotional aims. According to the findings that were presented in the studies that were discussed earlier, businesses that are controlled by families are distinct from businesses that are not controlled by families in that family-controlled businesses have a different perspective on how to improve their public image by investing in Corporate Social Responsibility activities.

According to the findings of the survey, boards of directors always check to see if a company has followed with rules and regulations. Additionally, boards offer advice on how to increase the efficiency of a company and the number of resources it has available. In addition, according to a neo-institutional theory, a larger number of
directors on a board helps to improve the performance of a company and the value it creates for all of its stakeholders when it complies with rules and regulations. One of the reasons for this, which the theory explains, is that the diverse nature of boards makes it possible for a company to build a more positive reputation. For example, this may be viewed from the point of view of the legitimisation of the position. What this indicates is that organisations with large boards make an effort to participate in stronger Corporate Social Responsibility initiatives and disclosures. In addition, one may claim that companies with larger board sizes are more likely to have problems with issues such as free riding, coordination, dodging obligations, and communication. The end outcome of this is that there is little supervision of management, which leads to supremacy. In essence, this may end up resulting in a negative influence on the performance of Corporate Social Responsibility.

The appendix explains that there are four different topics covered by the questionnaire. In the first portion of the report, we cover the basics of the employees' demographics, including their gender, marital status, work department, industry, and length of service with the organisation. The participants in the study are given a list of options and asked to select one of the options using list questions. In order to have a better understanding of who owns the most shares in the company, the highest percentage of shares, the voting rights, and the positions that are held by family members, the study poses four questions. In the third section, questions about controls at the family level are discussed. For instance, the research solicits responses to eight questions in order to gain insight into the perspectives of respondents regarding the current assets in dollars, the number of years that the company has been in operation, the total debt in dollars, the total net income, sales, and spending on research and development activities, in addition to the total number of board members who are currently in their roles. In the fourth section, we discuss the performance of the company with regard to its Corporate Social Responsibility obligations as well as the degree to which it participates in activities related to these obligations.

The maximum is the respondent's choice for the highest possible scale. The mean statistics illustrate the central trend with relation to the items that were selected the greatest number of times by the majority of respondents. On the other hand, the standard deviation is a statistical measure that indicates how much the data deviates from the mean or how centred it is around the mean. According to the findings, there is a significant association between some variables at the points 0.01 and 0.05, but not with others. The two confidence points can be used with either a 92 or 97 percent confidence interval, depending on the situation. One example would be that there is no correlation between Corporate Social Responsibility and any other metric. Nevertheless, the size of the board, the age of the company, the amount of debt it has, and its income are all tied to the environment. There is a significant relationship that exists between the length of time a business has been operating in the market, the amount of money it brings in, and the number of products or services that it sells. In the primary research, we regarded the indicators of family control to be reliant on ownership at the threshold of 10 percent. For this reason, the research also took into consideration the threshold that was used when defining the family control group in order to test the sensitivity of the findings. The primary data presented in this table demonstrates that family-based control tends to have an effect on the level of Corporate Social Responsibility compliance that a company maintains. However, it is essential to note out that the performance of family-controlled businesses and corporate social responsibility tend to go through comparable features. This is something that should not be overlooked. Three different methods of analysis are utilised by inferential statistics. Checking the overall correlation between dependent and independent variables is made easier with the help of the model summary.

The presence of numerous large owners helps to prevent most of the dominating families from getting more powers to confiscate their minority shares. This is because of the presence of other large shareholders. As a direct result of this, they were able to achieve higher levels of Corporate Social Responsibility performance. It is evident that the concentration of control is reduced the more voting rights one possesses and the larger the number of shareholders one has. This signalled the acquisition of additional authority as well as enhanced incentives to begin
monitoring the most significant shareholders. It is clear, based on the findings of this study, that businesses run by families have a tendency to perform worse than other types of businesses, such as state-owned agencies and corporations. This finding is in line with the hypotheses created for the study.

The size of the board of directors is a representation of the board structure that addresses agency issues and works to strengthen corporate governance, as was covered in the sections that came before it in this paper. The board of directors, which is part of the board structures, contributes to the problem-solving process. If the concept of expropriation is maintained, then the underperformance of enterprises on Corporate Social Responsibility among family firms must continue to be more pronounced for those firms that do not have effective boards. According to the findings shown above, family-controlled businesses have a lower level of Corporate Social Responsibility performance than non-family-controlled businesses. On the other hand, we contend that the outcomes could be the result of the dominance of the largest shareholders, who influence the performance of the corporation's Corporate Social Responsibility initiatives. It's possible, for instance, that this is the case due to the fact that state-owned businesses could, in theory, be interpreted as policy tools to respond to market failures and maximise social welfare.

Conclusion:

In spite of the evidence shown above, there were two significant problems with this study. To begin, the research was conducted using a limited sample size of both family-owned and non-family businesses. Any study with a limited sample size has the risk of not accurately representing the whole population of the company. Because of this, the findings might not be as reliable as they should be, and subsequent researchers who want to use the findings as a point of reference will need to exercise extreme caution. They should not rely exclusively on the findings of the study but rather carry out further research as a supporting point. The use of a single data collection strategy that was accomplished through a survey was the second restriction of the study. Because of this, the study could not have enough support from other types of data sources, such as archive data or interviews with managers accountable for the performance of Corporate Social Responsibility in firms. In addition, the data for the study were obtained without making reference to any other nations. This component of the study restricts it to a one-way analysis, meaning that no comparisons are made between other industries or nations in the Middle East, Europe, or the United States. This study advises that future studies focused on the same topic might enlarge the sample size of data in order to account for the constraints that have been outlined above. They may accomplish this by utilising a mixed methodology, which would assist them in triangulating data derived from quantitative and qualitative research. In addition, the focus of research in the future should be on carrying out comparative studies of the events that occur in other countries. A step like this would be helpful in understanding some of the underlying themes, such as the impact that political policies, the media, and investor protection play in reaching higher levels of Corporate Social Responsibility performance.

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