

What is the relation between family involvement and CSR and how does power distance influence this relation

Bachelor Thesis research by Vincent Nuijts

In June 2017 Vincent Nuijts graduated from the Tilburg School of Economics and Management at Tilburg University. Vincent followed the bachelor Business Economics and wrote his bachelor thesis in the area of family firms. The following text is a summary of the BSc thesis.

Corporate social responsibility (CSR) is an often-discussed topic in the managerial world as well as in current academic literature. CSR can create a competitive advantage for a firm. There is a lot of research present on the comparison between family firms and non-family firms when it comes to their CSR engagement. In general the conclusion can be drawn that a high level of family involvement leads to more CSR engagement since the identity of the family is inherently connected to the identity of the firms. In this study power distance is included as a third variable. Power distance is “the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally” (Hofstede, 1980). Several studies found that the more power distance leads to less CSR performance. (Ringov & Zollo, 2007; Peng, Dashdeleg & Chih, 2012). Therefore it is interesting to research how power distance influences the relation between family firm involvement and the level of CSR in family firms. In high power distance countries, family firms already enjoy a high status and therefore there is less pressure in these countries to strengthen the image by investing more in CSR. This study expects that Power Distance weakens the relation between family involvement and CSR.

To investigate the relationship, an explanatory, quantitative study is conducted based on a dataset of 125 public firms of the largest family firms around the world mentioned in the Global Family Business Index (<http://familybusinessindex.com/>). Family involvement is measured by the percentage of the shares that are held by the family and the percentage of the board that is occupied by board members. Power distance is measured through the scores from Hofstede and CSR scores come from CSRhub. Results do not confirm the expected relations. Hence, it cannot be confirmed that family involvement has an effect on the CSR activities of the firm. Neither is family involvement more beneficial for CSR in countries with low power distance.

Literature

Hofstede, G. H. (1980). Culture's consequences: International differences in work-related values. University of Illinois at Urbana-Champaign's Academy for Entrepreneurial Leadership Historical Research Reference in Entrepreneurship.

Peng, Y. S., Dashdeleg, A. U., & Chih, H. L. (2012). Does national culture influence firm's CSR engagement: A cross country study. *International Proceedings of Economics Development & Research*, 58, 40–44.

Ringov, D., & Zollo, M. (2007). Corporate responsibility from a socio-institutional perspective: The impact of national culture on corporate social performance. *Corporate Governance*, 7, 476– 485.

If you are interested in the bachelor thesis, you could contact the Tilburg Institute for Family Business via tifb@tilburguniversity.edu and request the pdf file.