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Family ownership and corporate social responsibility: the moderating effect of institutional ownership

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Abstract

The goal of this paper is to examine the impact of family ownership on corporate social responsibility (CSR), taking into account the moderating role of institutional investors. Using a sample of 70 listed French firms over the period 2003–2017, we obtain the following results. Family ownership negatively affects CSR; however, institutional investors positively affect CSR. Interestingly, our results show that institutional investors negatively moderate the relationship between family ownership and CSR.

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1 INTRODUCTION

Many companies are responding to the growing interest of stakeholders in corporate social responsibility (CSR). CSR engagements can differ between firms, and the ownership structure of a firm can be the key to understanding its level of CSR performance. When examining the relationship between firms' CSR and their ownership structure, firms are classified as family firms and non-family firms. Several studies indicate that the monitoring role of firms depends on their ownership structure. Compared with non-family businesses, there should be fewer agency conflicts between shareholders and managers in family businesses (Jensen and Meckling, 1976) because the controlling family has a large number of shares, which means that it has greater motivation to supervise managers (Anderson and Reeb, 2003ab).

Two opposing views may explain the effect of family ownership on CSR. According to El Ghoul (2016), the expropriation view suggests that CSR performance is lower for family firms than for non-family firms, while family firms' reputation concerns and long-term horizon view suggest higher CSR performance for family firms. Lamb and Butler (2016) consider on a sample of American companies ranked between 100 and 300 on the Fortune 500 list over a period from 1994 to 2006. Based on stewardship theory, the authors suggest that businesses that are mostly family-owned are more likely to act as stewards of the company and seek long-term organizational goals.

To shed light on this dilemma, we investigate the extent to which the ownership structure, especially family ownership, drives CSR performance and therefore the role of corporate institutional investors in influencing families' incentives to put money into CSR. This study contributes to the literature by examining the separate effect of institutional investors on CSR and their moderating role in the relationship between family ownership and CSR in the French context. Our research extends the literature by describing how company structure influences CSR and how institutional investors react to CSR in family-owned businesses. Understanding the main drivers of corporate social responsibility should help financial regulators and policy makers to know who is behind corporate social responsibility activities in the French context. They can figure out whether they should foster institutional investors' ownership within family firms to achieve better CSR initiatives in France.

In the current research, we propose to analyze the effect of family ownership and institutional investor on CSR in the context of a pro-creditor legal protection systems that offers strong investor protection (common law). We think that it is interesting to investigate the French context for the following reasons. Firstly, unlike common law countries, France is a civil law country (pro-debtor legal protection systems) where the legal system gives firms more accounting flexibility, therefore does not offer a high level of investor protection (Leuz et al., 2003; ducassy, 2015). This context is characterized by the existence of weak transparency requirements and weak legal protection for minority investors (Rubinstein, 2002). Consequently, in France, institutional investors may play a

governance role in protecting minority shareholders. Secondly, French firms are characterized by the predominance of family ownership (Johnson & al. 2010). Indeed, 60 % of firms in Europe are family-run, compared with 83% in France (Jouirou, 2021). Also, according to Faccio and Lang (2002), 64.82 % of French companies are controlled by a single family, versus 44.29 % in Europe. Thirdly, France is the first country in Europe to begin to contextualize the CSR approach (Igalens & al., 2002) by giving it a broader content integrating stakeholders. This through article 116 of the ‘’NRE Law’’ in 2002 (New Economic Regulations Act) which was reinforced in 2010 by the “Grenelle 2 Law’’. The NRE Law obliges listed companies to publish in their annual report their government, environmental and social information with their financial information. Although there are companies that do not give importance to this law in 2002, and despite the various criticisms, this law contributed to the launch of a dynamic in terms of CSR since 2002. For this reason, we chose the sampling period starting in 2003. Finally, in the French context, there are few studies on the effect of institutional ownership on CSR. Also, to our knowledge, our study is one of the first studies to examine the moderating role of Institutional ownership in the relation between Family ownership and CSR.

The remainder of the paper is as follows. Section 2 details the literature review and hypothesis development. Section 3 presents the data and methodology. We discuss our results in Section 4. The last section concludes.

2 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Family ownership and corporate social responsibility

According to the agency theory, family companies should have fewer agency conflicts between shareholders and managers than non-family companies (Jensen and Meckling, 1976) since the controlling family has a large shareholding (Anderson and Reeb, 2003ab). However, family control can prompt agency issues between the controlling shareholder and the minority shareholder because, unlike other types of large shareholders, the controlling shareholder has a strong incentive to seek private interests by expropriating the minority shareholders. This means that the controlling family has more impetus to redirect corporate resources by expropriating minority shareholders, including investment in CSR activities. Using data on publicly traded firms in nine East Asian economies, El Ghoul et al. (2016) find that family-controlled firms exhibit lower CSR performance, which is consistent with the expropriation view. Rees and Rodionova (2014) find that family ownership is negatively associated with environmental, social and governance (ESG) performance.

Unlike the expropriation view, the reputation and long-term horizon views suggest an alternative perspective. Firms invest in CSR activities to enhance their reputation among stakeholders (Albert and Whetten, 1985; Whetten and Mackey, 2002). Reputation is especially important for family businesses because it affects not only the business performance but also the family name (Dyer and Whetten, 2006). Family owners and managers

view their company as an extension of themselves, and they may worry that a bad company reputation will harm their family and themselves (Dyer and Whetten, 2006; Kets de Vries, 1994). This shows that, compared with other companies, family businesses are more likely to invest in corporate social responsibility to improve the reputation of the company and thus the reputation of the family.

Family firms also appreciate a longer horizon than non-family firms. While directors of broadly held firms seek short-term performance to improve their reputation in the market (Narayanan, 1985), family-controlled firms' concentrated ownership increases the motivation for supervision and management. James (1999) believes that the long-term vision of a family business can increase its investment efficiency because it allows the company to maximize its wealth in the long run and invest in long-term relationships with stakeholders. This argument suggests that family businesses are more likely than other businesses to invest in corporate social responsibility to maximize their long-term value (Bénabou and Tirole, 2010; Jensen, 2002). Using a sample of US firms over a period from 1991 to 2000, Dyer and Whetten (2006) find that family businesses are more socially responsible than non-family businesses. Berrone et al. (2010) and Block and Wagner (2014) also identify a positive impact of family control on CSR performance in the United States. Based on a sample of European companies, Cruz and al. (2014) find that, given their socioemotional wealth bias, family firms have a positive effect on social dimensions related to external stakeholders but a negative impact on internal social dimensions, As a result, family businesses may be both socially responsible and irresponsible.

Based on the above theoretical framework, which includes the expropriation view, the reputation view and the long-term horizon view, we formally posit our first assumptions:

H1a: Family ownership has a negative impact on CSR.

H1b: Family ownership has a positive impact on CSR

2.2 Institutional investors and corporate social responsibility

The role of institutional investors in mitigating agency issues has been concentrated broadly in corporate finance since the mid-1980s. However, studies report mixed outcomes in theoretical and empirical papers. Pound (1988), in a pioneering study, proposes three hypotheses concerning the impact of institutional shareholders on firm performance.

The efficient-monitoring hypothesis sees institutional investors as successful corporate monitors since they usually have better mastery and higher control of the company's management capabilities and lower costs. Institutional investors try to help management decision making to inspire corporate value and limit the technical means that hinder the interests of the owners. This shows that higher ownership concentration can provide large shareholders with greater incentives and more power to supervise and manage at a lower cost. In comparison to

other shareholders, institutional investors have more experience and capacities in overseeing corporate management more efficiently. Using their voting power, institutional investors may affect a company's CSR strategies in a variety of ways.

According to *the conflict resolution theory*, managers can increase the value of the company by carrying out corporate social responsibility activities, thereby reducing the conflict of interest between shareholders and stakeholders. The idea behind conflict resolution is that strong corporate governance forces managers to act in the best interests of shareholders. Therefore, companies with more effective governance are more likely to invest in corporate social responsibility. Through more effective governance, managers can use CSR to reduce the conflicts between investment and non-investment stakeholders. Fewer conflicts reduce the agency issues between stakeholders, resulting in better financial performance for the shareholders. This theory argues that the agent engages in corporate social responsibility with the intent to increase the company value rather than personal gain. We may anticipate that institutional investors will be inclined to support corporate social responsibility as a governance instrument.

According to *the good management theory*, a firm should attempt to satisfy its stakeholders without compromising its financial condition. This will give the organization a good image and reputation. These attributes are among a firm's intangible assets, adding to its competitive advantage (Barney, 1991). Essentially, this theory supports managers in persistently seeking better approaches to improve the firm's competitive advantage, which can eventually upgrade its financial performance. As indicated by Miles and Covin (2000), environmental performance is an alternative method to satisfy stakeholders and can be a layer of advantage that escalates competitive power. Institutional investors may use corporate social responsibility as a tool to appear more competitive in a highly competitive environment since CSR investments have a strong influence on reputations and prestige.

Our research involves three main fields. The first investigates the impact of institutional investors on firms' decision making. Several studies show that institutional owners have a significant influence on firms' decision making. Shleifer and Vishny (1996) contend that institutional owners are persuasive in firms' decisions due to their considerable voting rights as well as their asymmetric information preferences over different shareholders (Schnatterly et al., 2007). Using their power and information, institutional investors are in general more effectively engaged in firms' decision making than noninstitutional stockholders (Brickley et al., 1988). In addition, as institutional owners regularly own huge percentages of the company's stock and can only sell their shares with significant effort, they are probably more concerned with its decisions regarding social investments (Oh et al., 2011). The good management theory (Graves and Waddock, 1994) recommends that the impact of institutional ownership on CSR should be positive. Since a company's long-term performance can be improved

by good management initiations, institutional shareholders are probably willing to be the pillar of CSR-related actions.

The second field gives an extra rational explanation for why institutional investors might support CSR interest. Siegel and Vitaliano (2006) show that, following their reasoning, institutional investors offer credence services characterized by information asymmetry between the institutional investors and the customers. Putting resources into socially responsible firms and keeping up the CSR ratings of the company constitute one path for institutional investors to signal to potential customers that they are solid and responsible and along these lines to separate the company's services. Following this line of contention, we would expect to see a positive relationship between institutional ownership and CSR ratings.

The third field deals with the direct and indirect effect of institutional investors on corporate social responsibility. Dyck et al. (2019) find a positive association between institutional investors and CSR. They show that institutional investors are motivated by both financial and social returns. Dyck et al. (2019) also indicate that, when investors come from countries or regions with strong community beliefs that are important to societal, environmental and social issues, investors can drive the company's environmental and social performance. Likewise, Jo and Harjoto (2011) highlight a positive impact of institutional investors on corporate engagement in CSR activities. Chen et al. (2020) suggest that institutional shareholders can generate a real social impact and that shareholders use sustainable and responsible investment proposals to increase their impact on CSR investments. We also predict that institutional ownership may moderate the association between family ownership and CSR. Mixing two different and distinct ownership may influence the strategic vision toward corporate social responsibility. Institutional investors as successful corporate monitors may have different approach toward CSR. Institutional owners may seek long-term growth and try to influence a firm's CSR strategies in a specific way. Graves and Waddock (1994) assume that the impact of institutional ownership on CSR should be positive, where Lamb and Butler (2016) suggest that institutional owners may be more interested in profit-seeking activities and increase CSR concerns. These conflicting views lead us to investigate these two different ownerships in order to assess the opportunity of investing in CSR.

Based on the above theoretical framework, which includes the efficient-monitoring hypothesis, the conflict resolution theory and the good management theory, we formally present our second and third assumptions:

H2: Institutional ownership positively affects corporate social responsibility.

H3: Institutional ownership moderates the association between family ownership and corporate social responsibility.

3 DATA AND MODEL SPECIFICATION

3.1 Data

Our sample contains French firms listed on the SBF 120 index over the period from 2003 to 2017. We choose the French context because France is a civil law country where investor protection is weak and family ownership is very pervasive. Hence, institutional investors may play a governance role in protecting minority shareholders. After excluding financial firms and firms with missing data, our final sample consists of 70 French firms.

3.2 Variables and model specification

3.2.1 CSR

We use CSRINDEX to measure the corporate social responsibility of firms. We build on the Thomson Reuters ASSET 4 database using the annual environmental, social and corporate governance of French firms. This database is the most data source used in the field CSR (El Ghoul & al., 2017 ; Mutuc & Cabrilo, 2022). It provides qualitative and quantitative ESG data (Social, Environmental, Economic and Corporate Governance data). Following Graves and Waddock (1994) and Sharfman (1996), we adopt an index of CSR using the average of the environmental (ENV), the social (SOC) and the governance (GOV) score for each firm and each year.

$$CSRINDEX_{jt} = \frac{(ENVScore + SOCScore + GOVScore)}{3}$$

3.2.2 Family ownership

To measure family ownership, we follow Anderson and Reeb (2003ab) and use a dummy variable equal to 1 if a family owns a minimum of 10 percent of the shares and at least one family member (a person related by blood or by marriage to the owning family) serves as a member of the top management team.

3.2.3 Institutional ownership

We measure institutional ownership as the percentage of shares held by institutional investors (Dyck et al., 2019). We collect these data concerning the French firms from the Thomson Reuters database. The latter is one of the world's largest providers of ownership information by institutional managers. It classifies institutional investors according to their legal commitments and their business lines (Banks, Insurance companies, Investment advisors, Investment companies, Other).

3.2.4 Control variables

Following El Ghoul (2016), we add several variables to control for different factors that may influence CSR performance. Specifically, we control for the following variables: SIZE, which is the natural logarithm of the total assets, MTB, which is the market-to-book ratio, LEV, which is the ratio of the total debt to the total assets, and ROA, which is measured as the ratio of the net income to the total assets. All the control variables are taken from the Compustat database. This database provides a detailed exploration of financial, statistical and accounting information of companies (corporate market, mergers & acquisitions transactions, performance ratios, company debt, etc). Also, it provides annual and quarterly data on French companies.

3.2.5 Model specification

To examine the effect of family ownership on corporate social responsibility, taking into account the moderating role of institutional investors, we estimate the following panel models:

Model 1:

$$CSRINDEX_{it} = \alpha_0 + \alpha_1 \times FO_{it} + \alpha_2 \times SIZE_{it} + \alpha_3 \times LEV_{it} + \alpha_4 \times MTB_{it} + \alpha_5 \times ROA_{it} + \epsilon_{it}$$

Model 2:

$$CSRINDEX_{it} = \alpha_0 + \alpha_1 \times IO_{it} + \alpha_2 \times SIZE_{it} + \alpha_3 \times LEV_{it} + \alpha_4 \times MTB_{it} + \alpha_5 \times ROA_{it} + \epsilon_{it}$$

Model 3:

$$CSRINDEX_{it} = \alpha_0 + \alpha_1 \times FO_{it} + \alpha_2 \times IO_{it} + \alpha_3 \times SIZE_{it} + \alpha_4 \times LEV_{it} + \alpha_5 \times MTB_{it} + \alpha_6 \times ROA_{it} + \alpha_7 (FO \times IO_{it}) + \epsilon_{it}$$

CSRINDEX: the average of the environmental (ENV), the social (SOC) and the governance (GOV) score for each firm and each year. Size: the natural log of the total assets. LEV: the total debts divided by the total assets. MTB: the market-to-book ratio. ROA: the income before extraordinary items divided by the total assets. FO: A dummy variable that equals 1 if a family owns a minimum of 10 percent of the shares and at least one family member serves as a member of the top management team and 0 otherwise. IO: the percentage of institutional ownership.

3.3 Summary statistics

Table 1 reports the summary statistics for all the variables used in the regression equations. The mean value of CSR is 70.03, which is higher than the CSR mean found by Becchetti et al. (2015), who mention an 11.6 mean for US firms. This difference can be explained by the French context. The US has far fewer CSR obligations than France, where companies must adhere to more regulations and guidelines. The mean value of IO is 17.9326. The mean of MTB is 2.46, which is more important in terms of growth than the mean documented by Ko et al. (2016) in China, Hong Kong, Singapore and Taiwan. Furthermore, the mean of LEV is 0.264, which is higher than the mean leverage reported by Becchetti et al. (2015) in the US context (0.188), which means that French firms are more indebted than US firms. Our sample includes small and large firms as the mean and the standard deviation of size based on the logarithm of the total assets are, respectively, 8.145 and 1.286. The proportion of family firms among all the firms is 48.7 percent, and the proportion of non-family firms is 51.2 percent, the percentages of family and non-family firms being almost equal.

Table1: Descriptive statistics

This table reports the descriptive statistics. The sample covers 70 French firms' observations from 2003 to 2017. CSRINDEX: the average of the environmental (ENV), the social (SOC) and the governance (GOV) score for each firm and for every year. FO: Dummy variable equals 1 if a family owns a minimum of 10% of the shares and at least one family member serves as a member of the top management team, And 0 otherwise. IO: the percentage of institutional ownership. Size: the natural log of total assets. ROA: income before extraordinary items divided by total assets. MTB: market to book ratio. LEV: Total Debts divided by total assets.

	Obs	**Mean**	**Std. Dev.**	**Min**	**Max**
CSRINDEX	821	70.0329	19.4450	0	96.6766
IO	1,050	17.9326	11.7144	0	87.55
ROA	857	5.1400	5.8625	-32.46	38.83
MTB	837	2.4622	3.3620	-5.54	71.77
LEV	853	.2641	.2416	0	2.5378
SIZE	708	8.1456	1.2869	3.2248	11.2694
FO	Proportion	SD	Coef.Interval		
0	.5122	.0163	.4802	.5441	
1	.4877	.0163	.4558	.5197	

4 EMPIRICAL RESULTS

4.1 The impact of family ownership on CSR

Column 1 of table 2 examines the effect of family ownership on corporate social responsibility. The result reveals that family ownership has a significant and negative impact on CSR ($P<0.01$), which confirms our first hypothesis. A high ownership stake may lead to agency conflicts between controlling families and minority shareholders if controlling families can utilize their voting rights to redirect firm assets from CSR projects to different ventures that favor themselves. This result is in line with the expropriation theory, which stipulates that family firms have lower CSR than non-family firms. Our findings show that family firms in France realize lower CSR performance than non-family firms. These results are different from those reported in papers that deal with the US context (Berrone et al., 2010; Block and Wagner, 2014; Dyer and Whetten, 2006; Lamb and Butler, 2016), which is a pro-creditor legal protection system that offers strong investor protection. The findings show that dominating families with more agency conflicts and weaker institutions are more likely to expropriate minority shareholders. This can be explained by the expropriation perspective characterizing the French context.

4.2 Institutional ownership and CSR

Column 2 of table 2 examines the effect of institutional ownership on corporate social responsibility. A positive and significant effect exists between institutional ownership and corporate social responsibility ($P<0.05$), which confirms our second hypothesis that institutional ownership positively affects corporate social responsibility. Our findings support the idea that institutional investors push for stronger firm CSR performance in France. That is, firms are stepping up their CSR performance because investors are asking them to do so. Institutional investors drive firms to invest in corporate social responsibility, which shows that institutional investors have better mastery of and more control over the companies' management capabilities. These results are in line with the good management theory (Dyck et al., 2019; Graves and Waddock, 1994; Siegel and Vitaliano, 2006).

4.3 The moderating role of institutional investors in the relationship between family ownership and CSR

Column 3 of table 2 examines the moderating role of institutional investors in the relationship between family ownership and corporate social responsibility. We include an interaction term (FO*IO) between the institutional investor variable and family ownership. The coefficient of the interaction term is negative and significant ($p<0.1$). This result shows that family ownership has the ability to control and resist the pressure of institutional investors, suggesting that institutional investors choose to preserve their business relationships with firms in portfolios and that they are less motivated to monitor their governance. This result leads to the conclusion that institutional investors do not cause family firms to invest in corporate social responsibility, which is in line with the conflict of interests and strategic alignment hypothesis (Pound, 1988).

Table 2. Family ownership, institutional ownership and corporate social responsibility

This table reports the panel data regression of the association between family ownership and corporate social responsibility taking into account the moderating effect of institutional investors. The sample covers 70 French firms' observations from 2003 to 2017.CSRINDEX:the average of the environmental (ENV), the social (SOC) and the governance (GOV) score for each firm and for every year.FO: Dummy variable equals 1 if a family owns a minimum of 10% of the shares and at least one family member serves as a member of the top management team, And 0 otherwise. IO: the percentage of institutional ownership. Size: the natural log of total assets. ROA: income before extraordinary items divided by total assets. MTB: market to book ratio. LEV: Total Debts divided by total assets.

	Model (1) CSRINDEX	Model (2) CSRINDEX	Model (3) CSRINDEX
FO	-4.6053*** (1.5480)		.7356 (2.9145)
IO		.1327** (.0563)	.1887*** (.0724)
FO*IO			-.2143* (.1287)
ROA	-.0634 (.0936)	-.1206 (.0937)	-.0887 (.0965)
SIZE	7.0922*** (.6716)	8.3431*** (.6803)	7.0952*** (.6654)
MTB	-.4580*** (.1534)	-.4157** (.1639)	-.4505*** (.1575)
LEV	9.7090* (5.3268)	4.1731 (5.4751)	9.5233* (5.4049)
CONSTANT	13.5107** (6.6307)	-1.7681 (6.4486)	8.7418 (6.6680)
Wald Chi-Square	189.25	183.74	192.82
Prob > chi2	0.0000	0.0000	0.0000
Observations	472	532	472

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

4.4 Additional robustness checks

Following Dyck et al. (2019), we use the logarithm of corporate social responsibility to obtain better distributional properties and reduce the effect of outliers. Table 3 reports the results of the robustness analysis using LOGCSR as an alternative measure of CSR. The results are similar to those found in the main analysis. First, family ownership has a negative impact on CSR, which is consistent with the previous results. Second, institutional ownership positively affects CSR. The coefficient of the interaction term remains negative and significant. The results remain qualitatively unchanged.

We also use the generalized method of moments (GMM) as the estimation method. GMM modeling can prevent problems of endogeneity related to reverse causality, which could affect our findings. This method controls individual and temporal specific effects. Two tests are associated with the dynamic panel GMM estimator: the Sargan test and the Arellano and Bond test, which examines the validity of the lagged dependent variable as an instrumental variable. Table 4 shows that our results continue to hold. Table 5 reports the results of the Sargan test and the Arellano and Bond test. The Sargan test examines the effectiveness and validity of the lagged dependent variable as an instrumental variable, and it shows that the instrument is appropriate and valid throughout the entire estimation. The Arellano–Bond AR (2) test does not reveal any serial correlation in the first-difference error of the second order, which means that our model is not affected by any misspecification.

Table 3. Family ownership, institutional ownership and corporate social responsibility

Robustness check using logarithm function LOGCSR

This table reports the panel data regression of the association between family ownership and corporate social responsibility taking into account the moderating effect of institutional investors. The sample covers 70 French firms' observations from 2003 to 2017. LOGCSR: the natural log of the average of the environmental (ENV), the social (SOC) and the governance (GOV) score for each firm and for every year. FO: Dummy variable equals 1 if a family owns a minimum of 10% of the shares and at least one family member serves as a member of the top management team, And 0 otherwise. IO: the percentage of institutional ownership. Size: the natural log of total assets. ROA: income before extraordinary items divided by total assets. MTB: market to book ratio. LEV: Total Debts divided by total assets.

	Model (1) LOGCSR	Model (2) LOGCSR	Model (3) LOGCSR
FO	-.0620*** (.0221)		-.0162 (.0380)
IO		.0026*** (.0007)	.0028*** (.0008)
FO*IO			-.0035 * (.0019)
ROA	-.0008 (.0012)	-.0058*** .0018	-.0028* (.0016)
SIZE	.0993*** (.0097)	.1437*** (.0077)	.0957*** (.0071)
MTB	-.0057*** (.0015)	-.0049 (.0031)	-.0039 (.0030)
LEV	.0660 (.0728)	-.0754 (.0610)	.1160** (.0550)
CONSTANT	3.4600*** (.0956)	3.0248*** (.0729)	3.4266*** (.0698)
Wald Chi-Square	161.86	429.88	391.58
Prob > chi2	0.0000	0.0000	0.0000
Observations	470	530	470

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 4. Family ownership, institutional ownership and corporate social responsibility

Robustness check using GMM estimation

This table reports the panel data regression of the association between family ownership and corporate social responsibility taking into account the moderating effect of institutional investors. The sample covers 70 French firms' observations from 2003 to 2017.CSRINDEX:the average of the environmental (ENV), the social (SOC) and the governance (GOV) score for each firm and for every year.FO: Dummy variable equals 1 if a family owns a minimum of 10% of the shares and at least one family member serves as a member of the top management team, And 0 otherwise. IO: the percentage of institutional ownership. Size: the natural log of total assets. ROA: income before extraordinary items divided by total assets. MTB: market to book ratio. LEV: Total Debts divided by total assets.

	Model (1) **CSRINDEX**	**Model (2)** **CSRINDEX**
L1_CSRINDEX	.5200***	.5795***
	(.0191)	(.0187)
L2_CSRINDEX	.0464*** (.0096)	-.0009 (.0109)
FO	-5.7598*** (1.7055)	
IO		.1197*** (.0212)
ROA	-.2098*** (.0595)	-.3062*** (.0577)
SIZE	5.5780*** (.8274)	6.5554*** (.7886)
MTB	-.2343 (.2402)	-.3727*** (.0658)
LEV	11.3036*** (2.9503)	10.8639*** (3.6106)
CONSTANT	-11.93* (6.8613)	-26.2149*** (7.4526)
Wald Chi-Square	6272.67	72374.79
Prob > chi2	0.0000	0.0000
Observations	384	430

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 5. Sargan test and Arellano & Bond test

	Model (1)	Model (2)
Sargan test	35.98(1.0000)	46.67(0.99)
AR1	-3.6089 (0.0003)	-4.004(0.0001)
AR2	.4583(0.6467)	1.6435(0.1003)

P values in parentheses

5 CONCLUSION

The aim of our paper is to investigate the impact of family ownership on corporate social responsibility, taking into account the moderating role of institutional investors. Our empirical analysis reveals several interesting results. First, family ownership negatively affects CSR. Second, institutional investors positively affect CSR. Third, we show that institutional investors negatively moderate the relationship between family ownership and CSR.

In terms of practical implications, policy makers and financial regulators should foster institutional investors in the French context because they are important drivers of corporate social responsibility. This approach can mitigate the conflicts of interests between the various stakeholders and benefit society at large. Regarding family ownership, policy makers and financial regulators should find a policy to convince family firms to invest in corporate social responsibility by shedding light on the various benefits of corporate social responsibility, such as better corporate value.

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