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Board diversity and corporate social performance in family firms. The moderating effect of the institutional and business environment

Giovanna Gavana[1] | Pietro Gottardo[2] | Anna Maria Moisello[2]

[1]Department of Economics, University of Insubria, Varese, Italy

[2]Department of Economics and Management, University of Pavia, Pavia, Italy

Correspondence
Anna Maria Moisello, Department of Economics and Management via San Felice n°5 27100, Pavia, Italy.
Email: annamaria.moisello@unipv.it

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Universita degli Studi di Pavia

Abstract

We analyze the effect of structural and demographic board diversity on family firms' corporate social performance (CSP), taking into account certain institutional and business environment aspects. The sample consists of French, German, Italian, Spanish and Portuguese nonfinancial listed firms over the period 2014–2021. We compare family and nonfamily firms before focusing on family businesses. Findings show that CSP benefits from having female directors in family firms whilst independent directors increase CSP in nonfamily businesses. Family directors exert a negative effect on CSP in family firms. The enforcement of law makes the positive influence of board independence significant for family firms and of nondual CEOs for nonfamily companies. Within family firms, the negative effect of family directors is strengthened by the enforcement of law but lowered by the efficiency of the judicial system. Hostile business environment always lowers CSP and reduces female directors' positive influence for family firms.

KEYWORDS
board diversity, corporate social performance, environmental hostility, family firms, institutional environment

1 | INTRODUCTION

Family companies are a leading organizational form across the world. Two-thirds of all businesses are family owned, they create the majority of the world's wealth as they produce around 70%–90% of global GDP and provide around 50%–80% of overall employment (De Massis et al., 2018). Their behavior is crucial for a worldwide sustainable development and in recent decades, literature has devoted increasing attention to the attitude of family firms towards social activities. A growing stream of this literature engages with the study of family firms and nonfamily companies' social performance as a measure of corporate performance that takes into account the perspective of a broad range of stakeholders. Relying on different and conflicting theoretical perspectives, research provides arguments for a positive or negative effect of family firm status; empirical studies also provide mixed results (Canavati, 2018).

Social engagement strategies are influenced by the choices, experiences and values of the members of the board of directors (Veltri et al., 2021), and recent research has begun to focus on the effect of the diversity of boards, as well as of the diversity within boards, on social performance (Beji et al., 2021). The former relates to board structural diversity and is measured by board size, the presence of independent directors and CEO nonduality; the latter refers to the demographic diversity of board members and is assessed by gender board representation, experience, and community influence (Beji et al., 2021; Cruz et al., 2019; Hafsi & Turgut, 2013; Veltri

et al., 2021). In particular, the topic is under-explored with reference to the differences between family and nonfamily firms, as well as among family firms, and this leaves room to make original contributions. Therefore, the current study seeks to answer the following research question: do demographic and structural board diversity differently affect CSP in family and nonfamily firms as well as within family companies?

The following theoretical motivation and empirical gaps inform our study.

From a theoretical point of view, social commitment depends on agency conflicts or reputational concerns.

According to Agency Theory, a company's commitment in activities that favor stakeholders is affected by agency conflicts between owners and managers as well as between majority and minority shareholders. On the one hand, family block holders present high-monitoring capabilities (Anderson & Reeb, 2003) that should prevent managers from over-investing in social activities that enhance CSP (Barnea & Rubin, 2010). On the other hand, family ownership concentration should reduce social costs as a large part of the family wealth is invested in the business. Therefore, according to agency arguments family firms may present lower levels of social performance than nonfamily firms (Labelle et al., 2018). Under this perspective, structural and demographic board diversity bring diverse views, experiences and values that may influence the decision-making process (Nguyen et al., 2021), improving CSP. Under stakeholder theory, responding to stakeholder needs increases a firm's reputation and image. Nevertheless, stakeholders' salience, and the priority assigned in meeting their conflicting demands, is different, and more complex, in family than in nonfamily firms as the owning family itself is a major stakeholder with specific goals (Mitchell et al., 2011), that may conflict with other stakeholders' demands. Diverse boards, characterized by a variety of perspectives, values and sensitivities are more prone to take decisions that balance the different and competing expectations of various stakeholders, thus increasing CSP.

According to the socioemotional wealth (SEW) construct, family firms' decision-making process is also led by nonfinancial goals, that is, the stock of emotional returns a family derives from its controlling position in the firm (Gómez-Mejía et al., 2007). These relate to the sense of identification with the firm, the emotional attachment of family members involved in the business and the perspective of dynastic succession. A firm is the mirror image of the family in the community at large and, family companies are particularly concerned with their reputation; they develop strong social ties with employees as well as with the community in which they operate (Berrone et al., 2012) and they may be more attentive to stakeholder's needs (Berrone et al., 2010). On the other hand, the SEW may result in a family centered behavior, nepotism and, hyper-conservatism at the expense of the needs of nonfamily stakeholders (Le Breton-Miller & Miller, 2016). This implies that CSP may vary according to family involvement in the business and, in turn, to SEW silence, generating differences between family and nonfamily companies as well as within family-owned businesses. Diversity enriches the board with experiences and values unlike those of the family and which may moderate the dark side of the SEW (Minichilli et al., 2010). Moreover, several contextual factors, such as economic hostility and institutional aspects, may influence the salience of different SEW dimensions and family firms' attitude to sustainable practices (Le Breton-Miller & Miller, 2016), moderating the possible effect of board diversity on CSP.

According to Agency Theory and Stakeholder Theory, board diversity can affect social activities and CSP. We integrate these theories with the SEW perspective to better explain differences between family and nonfamily firms as well as within family firms.

Empirical literature underlines a significant relationship between different forms of board diversity and social performance (Bear et al., 2010; Francoeur et al., 2019; Hafsi & Turgut, 2013; Islam et al., 2022; Orazalin & Baydauletov, 2020; Post et al., 2011). Nevertheless, research addressing the effect of board diversity on social performance in family firms (Beji et al., 2021; Cruz et al., 2019; Nadeem et al., 2020; Veltri et al., 2021) is scarce and presents weaknesses. One part of this stream of literature has focused only on board gender diversity and CSP (Cruz et al., 2019; Nadeem et al., 2020) whilst recent studies have taken into account demographic as well as structural board diversity (Beji et al., 2021; Veltri et al., 2021). The study by Veltri et al. (2021) compares Italian family and nonfamily companies and points out that structural and demographic diversity, in terms of independent and female directors, differently affects social performance in family and nonfamily firms, whilst the findings of Beji et al. (2021), related to France, are robust only for nonfamily firms. These studies do not take into account the presence of family members on the board, and they do not address family firms' heterogeneity. We address this gap by taking into account the weight of family members on the board and on-board female representation. Directors' family membership is a further variable of demographic diversity that deserves to be analyzed within family businesses, as the way a family exerts its influence on the board is a major source of heterogeneity that may affect a firm's social behavior (Marques et al., 2014). Further, these studies are single country focused and findings generalizability to countries characterized by different contextual factors is limited, as the effects of board characteristics are contingent on a company's external environment (Cambrea et al., 2022). Research on the relationship between family firms' board diversity and CSP in Europe is scarce (Beji et al., 2021; Veltri et al., 2021) although this setting is of particular interest because family businesses make up between 65% and 80% of all European firms, providing for, on average, more than 40%–50% of all jobs.[1] We address this gap by analyzing a sample of five European countries taking into account some country contextual factors. Literature points out that family firms' socially responsible behavior is affected by contingency factors not only related to governance characteristics, but also to institutional setting and the business environment in which firms operate (García-Sánchez, Martín-Moreno, et al., 2021; Le Breton-Miller & Miller, 2016; López-González et al., 2019; Ye & Li, 2021). There is evidence that their social

[1] https://europeanfamilybusinesses.eu/about-european-family-businesses/ accessed on 27 January 2023

performance varies according to the legal regime, that is, common or civil law (Labelle et al., 2018), but research has not yet addressed the possible effect of the enforcement of law. Moreover, literature calls for the studying of the possible moderating effect of the efficiency of the judicial system and of the business environment's hostility/munificence on the relationship between board diversity and social performance, comparing family and nonfamily firms (Veltri et al., 2021). Based on the above considerations we decided to focus on the enforcement of law, the efficiency of the judicial system and environmental hostility as possible moderators of the relationship between board diversity and CSP.

Consequently, the current paper seeks to make the following contributions to the existing literature.

First, we contribute to CSP research by showing how family and nonfamily firms are differently affected by structural and demographic board diversity. We focus on CEO nonduality, independent and female directors, and, for family firms, we provide a more in-depth analysis, by taking into account the proportion of family members on the board as well as the weight of family female directors on women on the board, as proxies of family influence diversity. Our findings underline that structural and demographic board diversity differently affect CSP. This is dependent on the type of firm, as board independence exerts a positive effect in nonfamily companies whilst female directors positively affect family firms' CSP, but not if they belong to the family. Overall, family firms present a lower CSP than do nonfamily companies and CSP tends to decrease with a strong presence of family members on the board.

Second, we contribute to the limited empirical studies addressing the effect of board diversity on CSP in Europe (Beji et al., 2021; Veltri et al., 2021) by analyzing an international sample of nonfinancial listed firms from France, Germany, Italy, Portugal and Spain for the period 2014–2021. The European Union (EU) is a setting of particular interest for studying the effect of board diversity on CSP because of its increasing support for sustainable development as well as the adoption of good governance structures through its regulatory activity. Moreover, the countries we studied are especially relevant for family firm studies in general, particularly in Europe, as they are characterized by the largest presence of family businesses[2] with long-lasting family control (Franks et al., 2012).

Third, we contribute to CSP literature, as, to the best of our knowledge, this is the first paper to analyze the moderating effect of institutional and business environment aspects on the relationship between board diversity and social performance. We provide evidence that the effect of the enforcement of law on CSP is significant in family as well as in nonfamily firms, with different moderating effects: the rule of law makes the positive influence of independent directors significant for family firms and nondual CEOs significant for nonfamily businesses. Nevertheless, within family firms, the enforcement of law also increases the negative effect of family directors. The impact of judicial system efficiency on CSP is more salient for family companies and it significantly moderates the negative effect of family directors on CSP. A hostile business environment significantly reduces CSP for both types of company, but it exerts a significant moderating effect only for family firms, reducing female directors' positive influence on CSP.

Finally, the current study contributes to family business studies by pointing out institutional and business environment characteristics as further sources of heterogeneity in family firms' social performance, beyond family influence diversity.

The remainder of the paper is structured as follows: section 2 provides the background; section 3 discusses the theoretical framework; section 4 provides the empirical literature review and hypotheses development; section 5 presents the research design; section 6 shows and discusses the results; section 7 concludes the paper highlighting contributions, implications and limitations of the research while also suggesting avenues for further study.

2 | BACKGROUND

Research on the relationship between board diversity and corporate social performance (CSP) in Europe is scarce, although the European setting is of particular interest because of the increasing attention devoted to sustainable development and board diversity as a mean to protect the interests of a wide range of stakeholders. The EU is a relevant driver in the debate to improve companies' corporate governance and their social behavior. The objective to strengthen companies' social and environmental commitment has increased EU legislative attention to the issue of sustainability performance measurement, disclosure, and monitoring.

As part of the European Green Deal and the Sustainable Finance Agenda, the EU decided to update the EU Non-Financial Reporting Directive (2014) and proposed, on 21 April 2021, a new Corporate Sustainability Reporting Directive (CSRD) with the aim of increasing transparency, reliability, and comparability of sustainability information. The new CSRD, which came into force on January 5 2023, will gradually involve nearly 50,000 companies compared to the 11,770 covered by the previous Non-Financial Reporting Directive. The new reporting requirements will improve corporate accountability and enable stakeholders to better assess a firm's sustainability performance in order to drive investments towards more sustainable activities. All large companies and all companies listed on regulated markets (except listed micro companies) will have to disclose sustainability information following the European Sustainability Reporting Standards developed by the European Financial Reporting Advisory Group to improve the quality of sustainability disclosure, against greenwashing.

Good governance structure, as well as the institutional and economic context, affects the level of corporate social responsibility activities. Diverse and independent boards can reinforce managerial monitoring and make the decision-making process more effective by enriching the board with different perspectives, ideas, and skills, with a positive effect on a firm's social and environmental performance (Nguyen et al., 2021).

[2] https://europeanfamilybusinesses.eu/about-european-family-businesses/ accessed on 23 January 2023

The European Commission, 2010 has addressed the issue of board diversity since 2010 in the "Corporate governance in financial institutions and remuneration policies" Green Paper, pointing out the need for diversity within boards to effectively challenge management decisions. This need was reaffirmed in the 2011 "Green paper on corporate governance", highlighting that diversity in the directors' profiles and backgrounds "can provide effective means to tackle groupthink" leading to "more discussion, more monitoring and more challenges in the boardroom". The European Commission, 2011, through the 2014/95/EU Directive, has required large companies to provide information on the policy adopted in terms of board diversity, namely age, gender, educational and professional background. These firms are required to disclose the objectives, implementation and results of diversity policy. If a firm does not apply diversity policy, it has to explain the reason of this choice. The European Commission, 2012 has also focused on gender diversity proposing, in 2012, a Directive to improve gender balance among the executive and nonexecutive directors of listed companies. This proposal resulted in Directive (EU) 2022/2381 approved only on 22 November 2022,[3] but, in the meantime, it has stimulated many legislative (i.e., Italy, France, Germany and Portugal) or self-regulatory (i.e., Spain) initiatives by member states aimed at increasing female representation on listed firms' boards.

Internal corporate governance structures and external mechanisms of corporate governance, such as the enforcement of law and the efficiency of the judicial system, as well as growth opportunities offered by the economic environment, may affect a firm's social engagement and performance (Campbell, 2007; Lepore et al., 2018). EU member states present different levels of the enforcement of law as well as judicial system efficiency. According to the World Bank's database, the enforcement of law in Italy, France, Spain, Portugal and Germany, in 2020, varies from 0.241 (Italy) to 1.57 (Germany). The CEPEJ Evaluation report (2020)[4] points out that disposition time, namely the theoretical time necessary for a pending case to be resolved, for the aforementioned countries ranges from 527 (Italy) to 220 days (Germany). These countries also differ in economic growth, as expressed by the GDP growth rate (% annual). The most recent data provided by the World Bank refers to 2021 and shows that the above indicator ranges from 2.6% (Germany) to 6.8% (France). In 2019, before the COVID pandemic, Italy had the lowest value of GDP growth rate (0.5%) whereas Portugal had the highest (2.7%).

Given the institutional background, Europe is a very interesting setting to study the effect of structural and demographic board diversity on listed firms' social performance, analyzing the moderating effect of some country-contextual factors. Germany, Italy, France, Spain and Portugal share several characteristics: they adopt the civil law system, are bank-based economies and listed firms follow the same accounting standards. These similarities allow us to focus on the effect of the rule of law, disposition time and environmental hostility on the relationship between board diversity and social performance, reducing the possible noise of other institutional aspects.

In particular, these countries are the appropriate context in which to conduct this study, pointing out family firms' peculiarities relative to nonfamily companies as well as family businesses' heterogeneity. Western Europe is a valuable ground for family business studies as this ownership structure has been playing a fundamental role in its economy for hundreds of years (Faccio & Lang, 2002). Actually, the countries we focus on present the highest percentage of family firms among Western European countries, as it ranges from 75% (Italy, France, Portugal and Germany) to 85% (Spain) of the total number of companies.[5] These countries are characterized by the longest lasting family control (Franks et al., 2012), and they host 48% of the oldest family firms in the world.[6]

3 | THEORETICAL LITERATURE REVIEW

Different theoretical frameworks provide arguments for or against a higher social performance of family businesses compared to nonfamily firms (Canavati, 2018; Labelle et al., 2018).

According to Agency Theory, the commitment of a company in activities in favor of stakeholders is affected by agency conflicts between owners and managers (first type agency conflict) as well as between majority and minority shareholders (second type agency conflict). Family firms are characterized by ownership concentration that increases owners' ability and the incentive for monitoring (Shleifer & Vishny, 1986). First type agency conflicts are less severe in family businesses than they are in nonfamily businesses (Anderson & Reeb, 2003), lowering the incentive for managers to over-invest in social initiatives as a tool to protect their personal interests. From the point of view of second type agency conflicts, the owning family often holds an undiversified portfolio, family wealth is concentrated in the business and is more likely to bear the cost of over-investing in socially responsible initiatives than other blockholders (Labelle et al., 2018). Under Agency Theory, family firms would be less prone to invest in social activities. The board's capability to monitor the management largely benefits from its independence from management (Fama & Jensen, 1983). Independence depends on board structural characteristics such as CEO nonduality and independent directors, as well as on demographic diversity, such as gender diversity. Demographic diversity may open the domain of corporate governance beyond shareholders to other stakeholders increasing CSP (Zhang, 2012).

Stakeholder Theory posits that firms are in explicit, as well as implicit, contractual relationships with various stakeholders, and are responsible for honoring all contracts (Freeman, 1983). A firm's reputation and the terms of trade it can negotiate with its constituents

[3] https://ec.europa.eu/commission/presscorner/detail/en/statement_22_7074 accessed on 23 January 2023

[4] https://www.coe.int/en/web/cepej/special-file-publication-of-the-report-european-judicial-systems-cepej-evaluation-report-2020-evaluation-cycle-2018-data- (accessed on 23 January 2023)

[5] https://europeanfamilybusinesses.eu/about-european-family-businesses/ accessed on 23 January 2023

[6] https://www.griequity.com/resources/industryandissues/familybusiness/oldestinworld.html accessed on 23 January 2023

depend on its attitude to fulfill these contracts (Bowen et al., 1995). Therefore, managers are committed to satisfying the demands of stakeholders in order to obtain their support (Elmagrhi et al., 2019) and they may engage in CSP to develop strong relationships with multiple stakeholders (Hoeffler et al., 2010) and enhance reputation (Crossley et al., 2021). Managers have to take care of a company well-being and balance the conflicting demands of multiple stakeholders (Evan & Freeman, 1993). In family businesses, stakeholder salience and the balance of interests of different constituents is influenced by the presence of the owning family. It is a main stakeholder (Mitchell et al., 2011), whose members may sit on the board bringing a common set of values and experiences that lead the decision-making process. Board diversity may increase CSP as it provides a variety of views, values and experiences, and helps to manage the conflicting expectations from different stakeholders by balancing financial and nonfinancial objectives (Nguyen et al., 2021) and in family firms, it may generate a less family-centered thought. Agency conflicts, as well as stakeholder salience differ in family and nonfamily firms because of the relevance of nonfinancial goals for the former (Chrisman et al., 2004). The system of family business' nonfinancial objectives is summarized by the SEW concept (Gómez-Mejía et al., 2007); this refers to the stock and flows of emotional values a family derives from its controlling position in the business (Chua et al., 2015). Different dimensions pertain to SEW (Berrone et al., 2012). Family control and influence on the business confers status and visibility to the owning family and, in so doing, it is per se a source of emotional value. Family members feel a strong sense of identification with the business, they perceive the firm as the mirror image of the family in society and family businesses are not prone to open their equity to external investors, even when family control is protected by highly concentrated ownership (Romano et al., 2001). They are concerned with the firm's reputation and image as it may affect that of the family (Sharma & Manikutty, 2005).The owner family's concern for reputation prompts family firms to forge deep, generous and stable relationships with employees as well as external constituents (Arregle et al., 2007; Miller et al., 2009; Uhlaner et al., 2004) and with the community which they operate in, providing social recognition to the owning family (Astrachan & Jaskiewicz, 2008). In this vein, family firms have more incentive to avoid actions that negatively affect social welfare (Dyer Jr & Whetten, 2006). In doing so, the family enjoys a positive return in terms of SEW enhancement and preservation. On the other hand, amoral familism may induce family firms to act in a self-serving way, paying little interest to improving the long-term well-being of the company's stakeholders and the community at large, to the point that family control may be an obstacle to a country's societal progress (Morck & Yeung, 2004). Strong family ties can lead to prioritizing the needs of the family and ignoring those of nonfamily stakeholders; the negative side of family altruism and the need to maintain the control of the firm may result in nepotism, to the detriment of nonfamily employees and other stakeholders (Schulze et al., 2001). Furthermore, some family members may consider SEW as an emotional burden and seek to offset such a negative feeling by acting only for their own advantage, with negative effects on social performance (Kellermanns et al., 2012). Also, while reputational concerns may lead family businesses to look after external stakeholders (Block & Wagner, 2014), the control and influence over the business and the emotional attachment to the firm may result in family firms being less inclined to satisfy internal stakeholder claims (Cruz et al., 2014). Board diversity may limit the possible negative effect of SEW on CSP bringing onto the board the demands of multiple nonfamily stakeholders and increasing pressure on a company to commit to activities that meet such expectations. Moreover, theoretical literature suggests that not only corporate governance attributes, but also several aspects of the environment, such as institutional factors and economic hostility, may moderate family firms' engagement in social activities (le Breton-Miller & Miller, 2016).

The above theories are not able to explain, as stand-alone frameworks, the possible different effect of board diversity on CSP in family and nonfamily firms, as well as within family businesses. Therefore, in our research we combine Agency Theory and Stakeholder Theory in a SEW perspective.

4 | EMPIRICAL LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

4.1 | Board diversity and social performance in family and nonfamily firms, and within family firms

According to Agency Theory, structural and demographic board diversity reduces agency conflicts to the benefit of CSP (Zhang, 2012). Under Stakeholder Theory, board diversity helps to balance different stakeholders' expectations (Nguyen et al., 2021), increasing CSP. According to the SEW construct, nonfinancial objectives strongly influence family firms' behavior (Berrone et al., 2012; Gómez-Mejía et al., 2007), therefore agency conflicts and stakeholder prioritization differ in family and nonfamily firms (Gavana et al., 2017). Theoretically, board diversity may differently affect family and nonfamily firms CSP due to the peculiarities of the underlying agency conflicts and stakeholder salience.

Empirically, a stream of research has analyzed CSR performance and, more specifically, CSP by taking into account the effect of the structural diversity of boards and the demographic diversity within boards. There is evidence that diversity of boards and demographic diversity tend to enhance social performance (Bear et al., 2010; Post et al., 2011), although the former is more effective when the latter is present (Hafsi & Turgut, 2013). Research conducted on polluting industries in China shows that board independence and gender diversity exerts a positive, although not significant, effect on environmental performance (Nguyen et al., 2021). In particular, literature points out that board gender diversity contributes to CSR performance due to women's different skillsets and diverse thinking styles (Elmagrhi et al., 2019; Islam et al., 2022). There is also evidence that differences in female directors' experiences affect environmental and sustainable performance (Ullah et al., 2022). Nevertheless, empirical evidence provides mixed results in terms of CSP (see, among others, Harjoto

et al., 2015; Cucari et al., 2018; Nadeem et al., 2017); this may be because only some studies control for the different nature of the firm, that is, family or nonfamily owned.

Veltri et al. (2021), studying Italian large-cap listed firms, focus on board independence and female directors and find that the former positively affects social performance in family and nonfamily firms with a different level of significance, whilst the latter is not significant in either case. García-Sánchez, Rodríguez-Ariza, and Granada-Abarzuza (2021) find a positive and significant relationship when women on the board reach a critical mass of at least three members. Moreover, a grained analysis reveals that women's ability to affect a firm's social agenda depends on their relative legitimacy and power on the board; the presence of female nonfamily outsider directors and female family insider directors significantly enhances social performance (Cruz et al., 2019).

Beji et al. (2021), studying a sample of French listed companies, find that diversity of boards as well as diversity in boards are positively associated to CSP, but their findings are robust only for nonfamily firms.

Nevertheless, based on Agency and Stakeholder Theory and the SEW construct we posit the following hypothesis.

> **Hypothesis H1a.** Structural and demographic board diversity differently affect CSP in family and nonfamily firms.

Family businesses are heterogeneous in their social orientations (Cruz et al., 2014). Literature suggests that the way in which a family exerts its influence on a business generates heterogeneity in family firms, also from the point of view of their engagement in socially and environmentally responsible activities (Marques et al., 2014). According to Agency Theory, the presence of family members on a board increases the owning's family monitoring capability. This contrasts managers' temptation to over-invest in CSR activities in order to gain support from stakeholders other than shareholders (Labelle et al., 2018). From a Stakeholder Theory perspective, family members on a board are the representatives of a firm's main stakeholder, and they may affect the balancing of multiple stakeholders demands (Mitchell et al., 2011). Under the SEW lens, family involvement on the board may affect CSP as SEW dimensions directly influence the decision-making process (Gavana et al., 2017). A family's direct involvement in a business increases a firm's commitment towards employees, including the wider community and consumers, leading them to provide quality products and services. There is evidence that a significant presence of family members on a board increases the perception of a company as a mirror image of the family and, therefore, increases concerns about a company's reputation (Bingham et al., 2011).

The presence of family members on a board should limit the tendency of outsiders to place emphasis on short-term objectives, creating incentives for sustainable practices (Le Breton-Miller & Miller, 2016). Conversely, the presence of family members in management increases not only the sense of identification, but also family members' financial investment in the firm and the need to protect it (Gomez-Mejia et al., 2011). This influences the trade-off between the economic cost of initiatives in favor of stakeholders and the return in terms of reputation and legitimacy (Labelle et al., 2018).

According to the above discussion, we posit the following hypothesis.

> **Hypothesis H1b.** Family influence diversity affects CSP.

4.2 | Institutional environment, board diversity, and social performance

Research highlights the need to investigate further social performance in family firms by taking into account country level formal and informal institutional factors (Canavati, 2018; Van Gils et al., 2014; Veltri et al., 2021). Regarding the effect of demographic board diversity on CSP, literature points out that it seems to differ between countries as country-level factors may moderate this influence (Nguyen et al., 2020). The quality and efficiency of the legal system, and that of the judicial system, may act as an effective external mechanism of corporate governance (Lepore et al., 2018). Therefore, from the Agency Theory perspective, the pressure of institutional aspects, such as the rule of law and disposition time, affects agency conflicts and may moderate the extent to which board diversity affects CSP. From a Stakeholder Theory view, the enforcement level, or rule of law, expresses the general degree of legal protection all stakeholders can rely on. It captures "the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police and judiciary" (Kaufmann et al., 2009 p. 6). The rule of law index measures the quality and efficiency of the legal system, also considering the level of corruption and the efficiency of public bureaucracy (van Essen et al., 2015). A high level of enforcement indicates the likelihood that stakeholders' *de jure* protection is translated into a stakeholder's de facto protection. Disposition time is an indicator of the efficiency of the judicial system and is a measure of the level of stakeholders' de facto protection (Lepore et al., 2018). Under this view, these institutional aspects may moderate the extent to which board diversity affects CSP. From a SEW perspective, institutional aspects differently affect family and nonfamily firms' social performance (Cruz et al., 2014) and they may differently affect the relation between board diversity and CSP.

Empirically, international literature points out that the legal regime at the country level affects family firms' social performance and that CSP is better in countries with a stakeholder governance orientation (Labelle et al., 2018). Campbell (2007) suggests that companies are more likely to engage in socially responsible behavior in the presence of strong state regulations and high levels of enforcement. Empirical evidence on financial firms partially supports this view, pointing out that companies operating in countries with higher legal enforcement are more prone to engage in CSR activities. Conversely,

those firms in countries with stronger investor rights are less committed to CSR activities as they tend to be geared to pursuing shareholders' interests at the expense of other stakeholders' welfare (Chih et al., 2010).

There is evidence that, where an institutional framework provides weak property rights and investor protection, family businesses, as an informal institution, can make up for the lack of formal institutional protection (Steier, 2009). Consistently, van Essen et al. (2015) found that family companies reach better financial performance in countries characterized by a low rule of law index score and provide more stable employment in the presence of weak labor protection laws and regulations, suggesting that family firms are resilient to weak institutional conditions. Canavati's (2018) meta-analysis indicates that strong corporate governance regulation, strict labor protection and stringent environmental policy negatively moderate the relationship between a family business and, respectively, governance, social and environmental performance.

Cruz et al. (2014), studying a European international sample, found that a firm's family nature does not significantly affect its social performance. They explained the result, that contrasts with prior literature, in terms of regulatory level, showing that the index of national standard distance between each country and the USA affects nonfamily firms' social performance but this effect does not hold for family businesses.

Based on the above discussion we posit the following hypothesis.

Hypothesis H2a. The institutional environment differently moderates the effect of board diversity on CSP in family and nonfamily firms.

Under the agency perspective, the enforcement of law and the efficiency of the judicial system are effective external corporate governance mechanisms (Lepore et al., 2018); Therefore, they may moderate the extent to which the presence of a family on a board limit managers' over-investment in social activities and CSP. From a stakeholders' view the above-mentioned institutional aspects are mechanisms enhancing stakeholders' de facto protection, which may increase pressure for meeting the interests of stakeholders other than the owning family, moderating the effect of family involvement on the board on CSP. According to the SEW construct, the level of stakeholders' de facto protection affects the concerns for meeting stakeholders' expectations in order to protect the owning family's reputation. It may also moderate the relationship between family influence diversity and CSP.

There is a lack of empirical study addressing the effect of institutional aspects on the relationship between family members on the board and corporate performance. Previous studies distinguished family from nonfamily firms without providing an analysis within family companies, taking into account the role of family members on the board (Canavati, 2018; Lepore et al., 2018; van Essen et al., 2015). Therefore, based on the above theoretical perspectives we posit the following hypothesis.

Hypothesis H2b. The institutional environment moderates the effect of family influence diversity on CSP.

4.3 | Environmental hostility, board diversity, and social performance

Munificence is defined as an environment's ability to sustain a firm's growth (McArthur & Nystrom, 1991). In a hostile environment, durability is a firm's major concern, as companies have to cope with intense competition, resource scarcity, and high-demand constraints (Tang et al., 2010). Under the Agency Theory perspective, firms operating in a munificent context can rely on high-growth opportunities that make managers less risk averse and less sensitive to stakeholders' expectations (Miles et al., 1993). In a hostile environment, managers are more averse to their career risks; they would be more prone to meet stakeholders' demands, as they need stakeholders' support in order to have access to critical resources, reducing board monitoring (García-Sánchez, 2020). According to the Stakeholder Theory, firms' responsibility extends to a broad set of constituents (Freeman, 1983); internal stakeholders such as employees and shareholders, as well as, external stakeholders such as customers, suppliers and community. The owning family is a major internal stakeholder for family businesses with particular expectations and a hostile environment may make the conflicting demands of different stakeholders more difficult to balance. Family firms may react in opposite ways to resource scarcity depending on the prevalence of negative familism or the will to collaborate with other stakeholders in order to overcome difficult periods, with, respectively, a negative or positive effect on CSP (le Breton-Miller & Miller, 2016). From the SEW perspective, family businesses care more about their stakeholders and adopt proactive stakeholder engagement activities, to enhance the reputation and the emotional returns they derive from the business (Cennamo et al., 2012). In a hostile environment, family firms' attitudes towards CSP can affect stakeholders' perceptions of the firm and controlling family (García-Sánchez, Martín-Moreno, et al., 2021) and board diversity can effectively shape stakeholders' prioritization.

Empirical findings highlight that companies are less likely to behave in socially responsible ways in a relatively unhealthy economic environment with limited short-term profitability (Campbell, 2007). There is evidence that, in environments characterized by constrained resources, companies are less prone to adopt a socially responsible behavior as they may be more inclined to conserve (Goll & Rasheed, 2004). Nevertheless, Aragón-Correa and Sharma (2003) suggest that the return on CSR initiatives varies according to certain business environment conditions and to firm type. Literature points out that a firm's responses to nonmunificent conditions depend on its ownership control - family or nonfamily - and on how it values social benefits (Berrone et al., 2010). Consistently, there is evidence from a Latin American setting that family businesses, in hostile environments, present more socially responsible behavior than do nonfamily firms in order to preserve their affective and social endowments. This is because they rely on the strategic insurance effect provided by long-term CSR engagement (García-Sánchez, Rodríguez-Ariza, & Granada-Abarzuza, 2021).

According to the above discussion, we posit the following hypothesis.

Hypothesis H3a. Environmental hostility differently moderates the effect of board diversity on CSP in family and nonfamily firms.

Under an agency perspective, family members on the board have under-diversified portfolios; their wealth is concentrated in the business (Shukla et al., 2014). In a hostile environment, they may be prone to look for stakeholder support in order to help their firm's durability. From a Stakeholder Theory view, family members on the board are the representative of the owning family (Mitchell et al., 2011). This main stakeholder may demand the concentration of resources for its own interest or engage in pro-social activities as insurance for the firm's survival (le Breton-Miller & Miller, 2016). According to the SEW perspective, the presence of family members on the board increases the identification of the family with the business, family influence on the business and it emphasizes the pursuit of nonfinancial goals (Gomez-Mejia et al., 2011). The reputational concern increases and there is evidence that when multiple family members are involved on the board, family firms are more committed to disclosing and reporting their socially responsible behavior (Gavana et al., 2017). Consistently, there is evidence that a large presence of family members on the board boosts CSR performance (López-González et al., 2019). Given the theoretical arguments on the effect of environmental hostility on family directors pro-social behavior and empirical evidence on the relationship between family directors' and CSR we posit the following hypothesis.

Hypothesis H3b. Environmental hostility moderates the effect of family influence diversity on CSP.

5 | RESEARCH DESIGN

5.1 | Data

Our sample is drawn from French, German, Italian, Portugal and Spanish nonfinancial listed firms for the period 2014–2021. The initial data sample was composed of firms with available Thomson-Reuters ESG scores. We removed companies with missing financial, governance and ownership data; this resulted in a final sample with 125 firms in 2015, 199 in 2016, 204 in 2017, 246 in 2018, 369 in 2019, 384 in 2020, and 428 in 2021. The final sample consisted, on average, of 279 firms - of which 178 are nonfamily firms and 101 are family firms (1247 and 708 firm-year observations, respectively). We also used the data for financial year 2014 for some robustness check analyses. We started data collection with 2015 because of the limited availability of social performance data before that year; the 2021 was the last year available at the time of collection. All financial and market data was collected from the Orbis Bureau van Dijk database. Ownership data and Board attributes were hand-collected based on the information available on firms' corporate governance reports and supplementary information to identify family board members. We used firms' social scores from the EIKON DFO database (ASSET4) as a proxy for CSP. Institutional aspects proxies derive from the European judicial systems CEPEJ Report and the World Bank database.

We defined a family firm as one where a family owns at least 20% of common shares (Villalonga & Amit, 2010).

5.2 | Variables

The dependent variable is the firm's social performance score (SP) that we gathered from the ASSET4 (Cheng et al., 2014; Nadeem et al., 2020; Rees & Rodionova, 2015). The social performance score proxies for CSP is constructed based on objective and publicly available information. It is calculated annually.

The explanatory and control variables are INDBD, NCEOD, BSIZE, WBD, FBD, FWBD, GOVT, FCEO, OWNC, SIZE, ROE, LEV, AGE, ENV-HOST, DT, ENF, and also year and industry dummies. We report the dependent, explanatory and control variables in Table 1. INDBD, NCEOD, BSIZE are proxies of structural board diversity related to independent directors, CEO nonduality and board size. Independent directors have an important role in safeguarding shareholders' interests and collaborating with managers to improve decision-making process (Arosa et al., 2010; Ferrero-Ferrero et al., 2012). NCEOD duality is a dummy variable that takes the value of 1 if the CEO is not also the chairperson of the board of directors (Lee, 2022; Martínez-Ferrero & García-Meca, 2020). Board size is the number of board directors (Coles, 2008).

WBD, FWBD and FBD are proxies of demographic board diversity: the first is the weight of female directors on the board (Cruz et al., 2019; Nadeem et al., 2017); FWBD measures female directors' family membership while FBD measures the proportion of family members on the board (Greco et al., 2014).

GOVT controls for the presence of dualistic corporate governance structures (Jouber, 2021). FCEO controls for the presence of a CEO who is member of the dominant family (Veltri et al., 2021) OWNC measures the degree of concentration of voting rights (Muñoz-Bullon et al., 2018). We also control for leverage, financial performance using return on equity, and for firms' variability using the log of assets and firm's age.

Finally, we take into account the efficiency of the judicial system and the business environment hostility with three proxies, ENV-HOST, DT and ENF. ENV-HOST is the inverse of environmental munificence measured as the industry growth rate in a five-year period (Goll & Rasheed, 2004; Keats & Hitt, 1988). DT is the average time, in days, necessary to resolve a pending judicial case (Lepore et al., 2018). ENF is a measure of enforcement that captures perceptions on the quality of a country's governance (Lepore et al., 2018).

$I_{j,i,t}$ is a dummy variable coded 1 if the firm i is from industry j and 0 otherwise; D_t is a dummy variable coded 1 in year t and 0 otherwise.

5.3 | Methods

In order to analyze the effect of structural and demographic board diversity on CSP, we estimated the following base model for family and nonfamily firms:

$$CSP_{it} = \alpha_0 + \beta_1 \text{INDBD} + \beta_2 \text{WBD} + \beta_3 \text{NCEOD} + \beta_4 \text{BSIZE} + \beta_5 \text{GOVT} + \beta_6 \text{OWNC} + \beta_7 \text{SIZE} + \beta_8 \text{ROE} + \beta_9 \text{LEV} + \beta_{10} \text{AGE} + \beta_{11} \text{ENV-HOST} + \beta_{12} \text{DT} + \beta_{13} \text{ENF} + \sum_{j=1}^{J} \gamma_j I_{j,it} + \sum_{t=1}^{T} \delta_t D_t \quad (1)$$

TABLE 1 Description of variables

Variable	Description	Source
Dependent variable		
SP	Social performance score	Thomson Reuter's ASSET4
Independent variables		
INDBD	Number of independent directors divided to the number of directors on the board	CG REPORTS
NCEOD	A dummy variable that takes coded 1 if the CEO is not also the chairperson of the board of directors	CG REPORTS
WBD	Ratio of female director to total number of directors	CG REPORTS
FBD	Ratio of family directors to total number of directors	CG REPORTS, supplementary info
FWBD	Ratio of family female directors divided by the number of female directors	CG REPORTS, supplementary info
ENV-HOST	Environmental hostility is the inverse of environmental munificence measured as the industry growth rate for a 5-year period	ORBIS
DT	Disposition time is the theoretical time necessary for a pending judicial case to be resolved. It is calculated by dividing the number of pending cases at the end of a particular period by the number of resolved cases within that period, multiplied by 365	European judicial systems CEPEJ Report
ENF	Rule of law captures perceptions of the extent to which agents have confidence in and abide by the rules of society such as the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence	World Bank
Governance control variables		
BSIZE	Number of board members	ORBIS
GOVT	A dummy variable coded 1 when the firm follows a dualistic corporate governance model	CG REPORTS
FCEO	A dummy variable coded 1 when the CEO is a member of a family that owns at least 20% of the firm's common shares	CG REPORTS, supplementary info
OWNC	The log of the sum of the three largest shareholder voting stakes	ORBIS, Consob
Other control variables		
SIZE	Log of total assets	ORBIS
ROE	Return on equity, ratio of operating income divided by equity	ORBIS
LEV	Ratio of total financial debt divided by equity	ORBIS
AGE	Age of the firm in years	ORBIS

We estimated model (1) using a GLS panel model with standard errors robust for correlation across firms. This panel model uses efficiently the cross-section and time-series data, increasing the parameter's reliability and reduces the likelihood of multicollinearity. We control for industry and year-fixed effects using dummy variables.

Focusing on family firms, we also analyze the impact of family influence diversity on CSP estimating the following base model:

$$CSP_{it} = \alpha_0 + \beta_1 \text{INDBD} + \beta_2 \text{WBD} + \beta_3 \text{NCEOD} + \beta_4 \text{BSIZE} + \beta_5 \text{GOVT} + \beta_6 \text{OWNC} + \beta_7 \text{SIZE} + \beta_8 \text{ROE} + \beta_9 \text{LEV} + \beta_{10} \text{AGE} + \beta_{11} \text{ENV-HOST} + \beta_{12} \text{DT} + \beta_{13} \text{ENF} + \beta_{14} \text{FBD} + \beta_{15} \text{FWBD} + \beta_{16} \text{FCEO} + \sum_{j=1}^{J} \gamma_j I_{j,it} + \sum_{t=1}^{T} \delta_t D_t \quad (2)$$

To control for the moderating effect of institutional and business environment proxies, we introduced interaction variables in both models to verify differential effects for family and nonfamily firms.

6 | RESULTS AND DISCUSSION

6.1 | Results

Table 2 shows the mean and standard deviations of the variables in our model for family and nonfamily firms. We also show the *t*-statistics to test the significance of differences in means between family and nonfamily firms. The weight of independent directors and CEO nonduality are significantly different at the 1% significance level and there is also evidence of differences at the 1% level for most of the control variables.

Table 3 presents the correlations between model variables for the full sample. The analysis indicates that social performance is negatively correlated with non-CEO duality, ownership concentration, the weight of family members on the board, family CEO, environmental hostility, and the rule of law, whereas social performance exhibits

TABLE 2 Descriptive statistics of social performance, independent and control variables

	All firms Mean (SD)	Non-FF Mean (SD)	FF Mean (SD)	*t* test value on differences
SP	64.50 (23.07)	65.13 (22.98)	63.37 (23.20)	1.72[b]
INDBD	0.41 (0.19)	0.44 (0.19)	0.36 (0.18)	12.93[a]
NCEOD	0.79	0.83	0.71	9.09[a]
BSIZE	11.78 (4.87)	11.78 (5.10)	11.77 (4.47)	0.04
WBD	0.30 (0.15)	0.30 (0.15)	0.30 (0.15)	−0.40
FBD	—	—	0.22 (0.16)	
FWBD	—	—	0.17 (0.33)	
GOVT	0.41	0.45	0.34	7.54[a]
FCEO	—	—	0.47	
OWNC	3.77 (0.66)	3.58 (0.75)	4.08 (0.26)	−30.67[a]
SIZE	14.54 (2.10)	14.68 (2.27)	14.32 (1.78)	5.61[a]
ROE	0.10 (0.44)	0.07 (0.50)	0.14 (0.31)	−5.56[a]
LEV	2.47 (5.68)	2.70 (6.61)	2.10 (3.70)	3.58[a]
AGE	59.41 (48.71)	53.35 (47.36)	69.22 (49.27)	−10.08[a]
ENV-HOST	1.04 (0.09)	—	—	
DT	330.98 (119.06)	—	—	
ENF	1.25 (0.48)	—	—	
N°	279	178	101	

[a]Indicates that the estimated coefficients are significant at the 1% levels.
[b]Indicates that the estimated coefficients are significant at the 10% levels.

positive correlations with the weight of independent directors, women on the board, board size, the log of assets and disposition time.

Table 4 presents the panel GLS results for model (1) and model (1) with interaction terms. Independent board directors, board size, and ROE present a significant positive effect for nonfamily firms while social performance in family firms is positively affected by women on the board. Conversely, disposition time and the rule of law have a negative effect on family firms' social performance, but only the rule of law also has a negative effect for nonfamily firms. The introduction of interaction terms between structural or demographic board diversity with institutional and business environment proxies by and large confirmed the results, showing significant moderating effects for family firms for the rule of law with independent board directors and environmental hostility with women on the board.

Table 5 presents the panel GLS results for model (2) and model (2) with interaction terms. Focusing on family firms, we introduced two proxies for family influence diversity on the board, measured by the weight of family directors on the board and the proportion of family female directors. The results for the base model reported in the first column confirm the positive impact of female directors on family firms' social performance and show the negative significant effect of family members sitting on the board. The models with interaction terms show that disposition time moderates the impact of family members on the board while the enforcement of law strengthens the negative effect of family directors. There is no evidence of a significant moderating impact of institutional and business environment proxies on the effect of family female directors.

The simultaneity of CSP, financial performance (ROE) and other variables may also result in endogeneity problems. The direction of causality can be reverse or run both ways. Clustering the data for firm and accounting for time and industry-fixed effects with dummy variables as we do in models (1) and (2) helps mitigate the omitted variables problem.

7 | DISCUSSION

Consistent with recent research (Labelle et al., 2018; Veltri et al., 2021), we find that family firms present a lower social performance than nonfamily businesses. The result is consistent with the view that family firms are affected by lower agency conflicts of the first type and that managers have lower incentives to use stakeholder-oriented initiatives to protect their role. From the point of view of agency conflicts of the second type, results indicate an alignment of objectives between family shareholders and minority shareholders as the objective of containing the costs incurred in favor of stakeholders seems to prevail over the emotional returns deriving from initiatives in favor of the community. These results are consistent with Stakeholder Theory argument suggesting that the owning family is the most salient stakeholder for family firms, whose interests play a fundamental role in balancing the demands of the various stakeholders. Our findings highlight that different types of board diversity affect family and nonfamily firms' social performance. Previous studies have pointed out a positive significant effect on CSP for

TABLE 3 Correlation matrix

	INDBD	WBD	NCEOD	FBD	FWBD	BSIZE	GOVT	FCEO	OWNC	SIZE	ROE	LEV	AGE	ENV-HOST	DT	ENF
SP	**0.15**	**0.29**	**−0.10**	**−0.13**	**−0.07**	**0.32**	**−0.21**	**−0.08**	**−0.17**	**0.55**	**0.05**	0.03	**0.11**	**−0.14**	**0.12**	**−0.08**
INDBD		**0.14**	**0.07**	**−0.24**	**−0.21**	**−0.18**	**−0.08**	**−0.13**	**−0.31**	**0.22**	−0.02	0.01	**−0.06**	−0.01	**0.11**	**−0.16**
WBD			**−0.21**	**0.07**	−0.03	**0.20**	**−0.48**	−0.01	**−0.09**	**0.36**	0.00	0.03	**0.05**	**−0.13**	**0.44**	**−0.28**
NCEOD				**−0.28**	**−0.07**	**0.13**	**0.42**	**−0.39**	**−0.07**	−0.02	−0.02	0.00	−0.03	0.00	**−0.36**	**0.22**
FBD					**0.52**	**−0.13**	**−0.29**	**0.47**	**0.29**	**−0.15**	**0.06**	**−0.05**	**0.09**	**−0.05**	**0.30**	**−0.25**
FWBD						**−0.06**	**−0.14**	**0.18**	**0.18**	**−0.11**	**0.03**	−0.02	0.02	0.00	**0.12**	**−0.08**
BSIZE							**0.17**	**−0.22**	**−0.10**	**0.55**	**0.05**	**0.06**	**0.18**	**−0.11**	**−0.19**	**0.19**
GOVT								**−0.21**	0.01	**−0.16**	0.03	**−0.04**	**0.08**	**0.04**	**−0.85**	**0.66**
FCEO									**0.20**	**−0.22**	0.03	−0.02	−0.01	**0.06**	**0.28**	**−0.25**
OWNC										**−0.20**	**0.08**	0.00	0.01	−0.01	**0.07**	**−0.10**
SIZE											**0.04**	**0.06**	**0.19**	**−0.16**	**0.05**	**0.04**
ROE												**−0.33**	0.00	**0.05**	−0.02	−0.01
LEV													−0.00	**−0.05**	0.02	−0.02
AGE														**−0.12**	**−0.09**	**0.11**
ENV-HOST															**0.05**	**−0.11**
DT																**−0.85**

Note: Bold indicates that the estimated correlation coefficient is significant at the 5% level.

TABLE 4 Board diversity and social performance. Panel GLS regressions with fixed time and industry effects. Family and nonfamily firms

Dependent variable: Social performance (SP)								
	Model 1 Non-FF	Model 1 FF	Model 1a Non-FF	Model 1a FF	Model 1b Non-FF	Model 1b FF	Model 1c Non-FF	Model 1c FF
INT	11.99 (22.02)	98.14 (48.93)[b]	−6.65 (26.79)	81.82 (48.31)[c]	35.41 (29.40)	105.40 (51.56)[b]	150.02 (70.25)[b]	−114.60 (132.35)
Independent variables								
INDBD	16.72 (8.24)[b]	3.46 (8.55)	24.55 (19.77)	37.28 (23.74)	−2.38 (18.13)	−34.97 (18.18)[c]	−146.33 (106.24)	40.03 (232.34)
WBD	3.84 (10.21)	27.67 (12.39)[b]	34.20 (36.11)	23.72 (36.41)	−25.26 (33.48)	29.26 (23.37)	−220.19 (158.46)	627.85 (283.42)[b]
NCEOD	0.23 (2.29)	−4.79 (3.26)	8.06 (14.49)	19.17 (13.28)	−16.30 (7.48)[b]	6.84 (5.70)	−52.72 (42.13)	−16.32 (75.06)
ENV-HOST	−9.87 (11.00)	−63.14 (33.00)[c]	−10.60 (11.81)	−68.47 (34.48)[b]	−11.97 (11.07)	−71.77 (33.81)[b]	−142.55 (65.30)[b]	142.74 (121.92)
DT	−0.03 (0.02)	−0.10 (0.02)[a]	0.02 (0.05)	−0.06 (0.04)[c]	−0.02 (0.02)	−0.09 (0.03)[a]	−0.03 (0.02)	−0.11 (0.03)[a]
ENF	−8.12 (3.65)[b]	−16.32 (4.73)[a]	−8.34 (3.91)[a]	−18.04 (5.09)[a]	−27.23 (12.67)[b]	−27.92 (10.42)[a]	−8.56 (3.65)[b]	−16.67 (5.05)[a]
Governance control variables								
BSIZE	1.01 (0.35)[a]	0.33 (0.41)	0.99 (0.35)[a]	0.38 (0.43)	1.00 (0.35)[a]	0.30 (0.43)	0.97(0.35)[a]	0.27 (0.43)
GOVT	−9.92 (4.12)[b]	−8.43 (5.41)	−6.58 (4.83)	−7.15 (6.00)	−5.01 (4.65)	−8.50 (5.71)	−10.10 (4.19)[b]	−10.21 (5.65)[c]
OWNC	−1.20 (1.72)	−7.36 (5.98)	−1.24 (1.73)	−6.49(6.06)	−1.26 (1.74)	−6.38 (6.18)	−1.41 (1.72)	−7.13 (6.16)
Other control variables								
SIZE	4.05 (0.93)[a]	6.33 (1.14)[a]	4.18 (0.94)[a]	6.53 (1.20)[a]	4.18 (0.91)[a]	6.85 (1.22)[a]	4.32 (0.96)[a]	6.48 (1.17)[a]
ROE	0.05 (0.02)[a]	0.02 (0.03)	0.04 (0.02)[b]	0.01 (0.03)	0.04 (0.01)[b]	0.01 (0.03)	0.03 (0.01)[b]	0.01 (0.03)
LEV	0.26 (0.19)	−0.03 (0.27)	0.21 (0.16)	−0.06 (0.28)	0.20 (0.16)	−0.10 (0.29)	0.17 (0.15)	−0.01 (0.28)
AGE	0.01 (0.02)	0.01 (0.03)	0.01 (0.02)	0.01 (0.03)	0.00 (0.02)	0.01 (0.03)	0.00 (0.02)	−0.00 (0.03)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interaction variables								
DT*INDBD			−0.03 (0.05)	−0.10 (0.06)				
DT*WBD			−0.08 (0.10)	0.01 (0.09)				
DT*NCEOD			−0.02 (0.04)	−0.03 (0.03)				
ENF*INDBD					13.40 (13.34)	30.54 (14.94)[b]		
ENF*WBD					22.72 (25.38)	−0.24 (20.33)		
ENF*NCEOD					13.60 (6.16)[b]	−2.57 (6.37)		

(Continues)

TABLE 4 (Continued)

Dependent variable: Social performance (SP)								
	Model 1 Non-FF	Model 1 FF	Model 1a Non-FF	Model 1a FF	Model 1b Non-FF	Model 1b FF	Model 1c Non-FF	Model 1c FF
ENV-HOST*INDBD							157.52 (100.58)	−37.36 (225.89)
ENV-HOST*WBD							220.30 (154.02)	−584.51 (273.69)[b]
ENV-HOST*NCEOD							52.32 (41.35)	20.43 (72.70)
obs	1247	708	1247	708	1247	708	1247	708
R2	0.38	0.38	0.37	0.38	0.38	0.38	0.38	0.39

[a]Indicates that the estimated coefficients are significant at the 1% levels.
[b]Indicates that the estimated coefficients are significant at the 5% levels.
[c]Indicates that the estimated coefficients are significant at the 10% levels.

independent board directors and board size, without distinguishing the effect for the two types of company (Beji et al., 2021). We find that structural board diversity, measured by the above variables, positively affects nonfamily firms' social performance score; the effect is positive but not significant for family firms, confirming Hypothesis H1a. As indicated by literature, independent directors in family firms are often strictly linked to the owning family (Corbetta & Tomaselli, 1996), they could align their decisions to family member desires (Chen & Jaggi, 2000) without, therefore, making a significant contribution in setting and pursuing social responsibility objectives. As for board size, the number of directors may have a positive impact on social performance because of the effect of different knowledge, relationships and the possible representation of stakeholders other than shareholders. The positive but not significant board size effect on family firms' social performance may be due to further opposing phenomena. On the one hand, a larger board in family firms may imply the presence of nonfamily blockholders (Fattoum-Guedri et al., 2018) and an increase of monitoring, resulting in a stronger pressure for financial performance and in a reduction of social performance. On the other hand, the correlation analyses suggest that larger boards are related to larger firm size, implying wider company visibility. There is evidence that visibility increases the concerns for reputation as well as for SEW protection (Gavana et al., 2019); its effect on social responsibility commitment is higher for family than nonfamily firms (Gavana et al., 2017; Palma et al., 2022) and it could balance the impact of financial performance pressure on social performance. Despite previous research indicating that CEO nonduality increases the positive effect of board monitoring effectiveness on CSR performance (Lee, 2022), the variable is never significant in the model without interactions, not supporting Hypothesis H1a. Demographic board diversity, assessed by the presence of women on the board, increases family firms' social commitment whilst the effect, although positive, is not significant for nonfamily businesses. This result supports Hypothesis H1a and is consistent with previous research indicating a positive effect of female directors on corporate sustainability practices (Nadeem et al., 2017) and nonfinancial performance (Cruz et al., 2019; Elmagrhi et al., 2019). Moreover, it confirms and extends previous research focused on family companies operating in the fashion sector, underlining that CSR engagement benefits from the presence of female directors who are not members of the controlling family as nonfamily women exploit their experience and network to engage in social activities that enhance firm reputation (Campopiano et al., 2019). Nevertheless, this result differs from previous empirical findings focused on an Italian sample (Veltri et al., 2021), pointing out female members' negative nonsignificant effect on social performance. There is evidence that the beneficial effect of female directors on CSP is particularly strong in institutional settings characterized by higher gender equality (Byron & Post, 2016). The difference in the results may be due to the different samples as we focus on an international sample made up of German, French, Spanish, Italian and Portuguese firms. According to the European Institute for gender equality,[7]

[7]https://eige.europa.eu/gender-equality-index/2021/compare-countries

TABLE 5 Structural and demographic board diversity in family firms and social performance. Panel GLS regressions

Dependent variable: Social performance (SP)				
	Model 2 FF	Model 2a FF	Model 2b FF	Model 2c FF
INT	131.05 (49.63)[a]	127.62 (53.97)[b]	117.95 (56.12)[b]	−20.90 (170.49)
Independent variables				
INDBD	−0.31 (8.02)	23.82 (22.84)	−26.58 (18.20)	34.29 (247.50)
WBD	31.27 (13.11)[b]	36.80 (42.65)	19.80 (29.38)	461.58 (389.98)
NCEOD	−5.89 (3.81)	−22.60 (14.27)	−5.36 (6.06)	13.25 (75.67)
FBD	−36.43 (12.26)[a]	−140.84 (46.92)[a]	21.02 (21.63)	−2.04 (294.00)
FWBD	0.22 (4.10)	32.33 (17.99)[c]	4.00 (17.98)	−250.03 (190.34)
ENV-HOST	−87.60 (33.33)[a]	−77.79 (32.92)[b]	−85.68 (34.38)[b]	51.82 (159.86)
DT	−0.10 (0.03)[a]	−0.09 (0.05)[c]	−0.09 (0.03)[a]	−0.11 (0.03)[a]
ENF	−14.90 (4.56)[a]	−14.81 (5.01)[a]	−12.66 (13.79)	−15.74 (4.92)[a]
Governance control variables				
BSIZE	0.17 (0.40)	0.22 (0.39)	0.19 (0.39)	0.11 (0.41)
GOVT	−13.24 (5.56)[b]	−15.46 (7.21)[b]	−16.97 (6.08)[a]	−16.26 (5.91)[a]
FCEO	2.33 (3.27)	2.88 (3.32)	2.07 (3.23)	1.19 (3.33)
OWNC	−6.74 (6.44)	−5.67 (6.43)	−6.05 (6.69)	−6.98 (6.66)
Other control variables				
SIZE	6.17 (1.11)[a]	6.44 (1.18)[a]	6.54 (1.22)[a]	6.25 (1.12)[a]
ROE	0.01 (0.03)	0.00 (0.03)	−0.01 (0.03)	0.01 (0.03)
LEV	−0.06 (0.29)	−0.13 (0.28)	−0.07 (0.29)	−0.05 (0.29)
AGE	0.01 (0.03)	0.02 (0.03)	0.01 (0.03)	0.00 (0.03)
Year	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes
Interaction variables				
DT*INDBD		−0.07 (0.06)		
DT*WBD		−0.02 (0.10)		
DT*NCEOD		−0.04 (0.03)		
DT*FBD		0.27 (0.11)[b]		
DT*FWBD		−0.08 (0.04)		
ENF*INDBD			20.35 (15.00)	
ENF*WBD			5.16 (24.28)	
ENF*NCEOD			−0.29 (6.38)	
ENF*FBD			−49.87 (20.54)[b]	
ENF*FWBD			−2.13 (13.65)	
ENV-HOST*INDBD				−35.21 (239.61)
ENV-HOST*WBD				−422.82 (381.69)
ENV-HOST*NCEOD				18.95 (73.25)
ENV-HOST*FBD				−33.11 (290.08)
ENV-HOST*FWBD				240.77 (183.04)
obs	680	680	680	680
R2	0.40	0.42	0.42	0.41

[a]Indicates that the estimated coefficients are significant at the 1% levels.
[b]Indicates that the estimated coefficients are significant at the 5% levels.
[c]Indicates that the estimated coefficients are significant at the 10% levels.

Germany, Spain and France have a significantly higher equality score than Italy. Therefore, in Italian family firms, boards may be less prone to make the most of the resources that women may bring, and female directors' actions are more likely to conform to the desire of the owning family, resulting in a negative effect on social performance.

A more grained analysis of family firms reveals that the positive effect of female directors is not significant when family female directors' weight increases, as their behavior tends to align with the owning family goals system, neutralizing the potential contribution of women's different values and experiences.

Consistently, an increase in the proportion of family members on the board has a significant negative effect on social performance. This implies a reduction in the weight of the representatives of the other stakeholders on the board and their monitoring power and ability to influence the decision-making process as family power is positively associated with board dependence (Corbetta & Salvato, 2004). Further, financial performance could be a means of protecting the family's power of control over the business, a means to self-finance the company and avoid opening the capital to nonfamily members or increasing the debt with the risk of having to welcome representatives of the lenders onto the board. Different governance configurations differ in their valence of SEW (Samara et al., 2018) and these results suggest that when the weight of family members on the board increases, family control and influence may prevail over the prosocial and reputational aspects of the SEW. Hypothesis H1b is supported by family influence diversity on the board related to the proportion of family directors.

We analyzed the effect of the institutional and business environment, studying the effect of disposition time, law enforcement and environmental hostility on the relation between different forms of board diversity and social performance. The efficiency of the judicial system has a significant and positive effect only for family firms' social performance, suggesting that this institutional aspect works as an effective external governance factor (Lepore et al., 2018) for family firms: it increases their social commitment because of the immediate reputational damage stemming from behaviors detrimental to stakeholders. The moderating effect of disposition time is never significant for family or nonfamily businesses, suggesting that the efficiency of the judicial system does not affect the impact of specific forms of board diversity on social performance, not supporting Hypothesis H2a. Law enforcement has a negative effect both for the social performance of family and nonfamily businesses. Previous research indicates a positive effect of the rule of law on financial performance (van Essen et al., 2015). Therefore our results suggest that this institutional characteristic is likely to increase the pressure for minority shareholder protection, and then for financial performance, to the detriment of social performance. Concerning the different effect of board diversity on family and nonfamily social performance, we found that the rule of law exerts a significant positive effect on independent directors only for family firms. This indicates that an increase in law enforcement may lower independent directors' alignment with the owning family interests, spreading the beneficial effect of their different experiences and values. CEO nonduality is never significant except for when we control for the moderating effect of the rule of law as we found that it tends to have a negative effect on nonfamily firms' social performance. However, this impact is attenuated by an increase in law enforcement. The moderating effect on the relation between female directors and social performance is never significant; therefore, Hypothesis H2a is supported for structural board diversity but not for demographic board diversity. According to the literature, we find that environmental hostility has a significant negative impact on social performance as when the economic environment does not support business growth durability is at risk (Tang et al., 2010) and firms are less prone to invest resources into prosocial activities (Goll & Rasheed, 2004). The effect also holds for family firms and supports research suggesting that family firms tend to have a more socially responsible behavior in munificent contexts (López-González et al., 2019). This result is consistent with the view that family firms may be prone to reducing profitability in order to preserve SEW in terms of emotional returns from reputation and social ties, but not when the business environment jeopardizes the firm's survival (Gómez-Mejía et al., 2007). We found that having women on the board increases family firms' social performance but controlling for the moderating effect of environmental hostility, findings show that nonmunificent business conditions significantly lower the positive effect of female directors on social commitment. The moderating effect on the relation between diversity of boards and social performance is never significant. Hypothesis H3a is supported for demographic but not for structural board diversity.

Analyzing the moderating effect of the institutional environment within family firms, we find significant interactions related to family influence diversity on the board. Disposition time significantly reduces the negative effect of family directors on social performance. As we noted above, the efficiency of the judicial system increases the prosocial attitude of family businesses due to their reputational concerns. Family members take care of the firm's reputation as it is strictly related to that of the family's (Chrisman et al., 2007). The effect is stronger when the role of the family in the company is more visible (Zellweger et al., 2012), for instance when there is a strong presence of family members on the board. Conversely, law enforcement negatively moderates the effect of family directors on family firms' social commitment. Canavati's (2018) meta-analysis results point out that having a strong regulation for stakeholder protection negatively moderates family firms' social performance. Our findings go further, also suggesting that a high enforcement of law reduces family firms' social performance when family directors sit on the board. The significant effects of disposition time and of the rule of law on the effect of family directors on social performance support Hypothesis H2b, suggesting that family membership is the type of board diversity more sensitive to the aforementioned institutional aspects within family firms.

Environmental hostility does not significantly moderate the effect of family directors or family female directors on social performance, thus not supporting Hypothesis H3b. Given the negative effect of environmental hostility on family firms, we noted above, these findings suggest that family ownership control is sensitive to environmental nonmunificence per se regardless of family influence diversity on the board.

7.1 | Additional analyses

Tables 6–9 report additional results from re-estimating Equations 1 and 2 to check their robustness. The literature has pointed out that

TABLE 6 Structural and demographic board diversity and social performance. Panel GLS regressions with lagged variables

Dependent variable: Social performance (SP)					
	Model 1 Non-FF	Model 2 FF	Model 2a FF	Model 2b FF	Model 2c FF
INT	8.89 (22.53)	130.74 (49.33)[a]	131.61 (53.97)[b]	118.05 (55.86)[b]	−33.74 (174.00)
Independent variables					
INDBD	12.46 (7.81)	−0.87 (7.93)	17.54 (22.87)	−28.77 (18.60)	51.62 (246.61)
WBD	5.04 (10.46)	27.39 (12.84)[b]	24.09 (39.97)	21.83 (30.07)	479.51 (398.03)
NCEOD	0.37 (2.29)	−5.94 (3.77)	−21.26 (14.19)	−6.81 (6.37)	16.23 (79.88)
FBD		−35.23 (12.04)[a]	−134.60 (45.42)[a]	19.84 (21.63)	−56.22 (295.91)
FWBD		0.11 (3.99)	29.75 (16.46)[c]	4.82 (17.96)	−226.25 (187.88)
ENV-HOST	−7.41 (11.37)	−83.95 (33.20)[b]	73.13 (32.75)[b]	−83.37 (34.14)[b]	63.59 (163.08)
DT	−0.03 (0.02)	−0.10 (0.03)[a]	−0.10 (0.05)[c]	−0.09 (0.03)[a]	−0.11 (0.03)[a]
ENF	−9.29 (3.75)[b]	−16.96 (4.73)[a]	−16.32 (5.12)[a]	−13.48 (13.76)	−17.67 (5.04)[a]
Governance control variables					
BSIZE	0.89 (0.33)[a]	0.20 (0.39)	0.26 (0.39)	0.21 (0.39)	0.13 (0.41)
GOVT	−9.04 (4.00)[b]	−10.91 (5.69)[c]	−13.94 (7.13)[c]	−15.24 (6.30)[b]	−13.48 (5.91)[b]
FCEO		2.27 (3.26)	2.83 (3.27)	2.05 (3.21)	1.13 (3.31)
OWNC	−1.42 (1.64)	−6.68 (6.33)	−5.77 (6.33)	−5.96 (6.54)	−6.97 (6.59)
Other control variables					
SIZE	4.56 (0.85)[a]	6.34 (1.09)[a]	6.47 (1.16)[a]	6.73 (1.19)[a]	6.47 (1.11)[a]
ROE	0.04 (0.02)[b]	−0.01 (0.03)	−0.01 (0.03)	−0.02 (0.03)	−0.01 (0.03)
LEV	0.11 (0.15)	−0.0.50 (0.25)[b]	−0.50 (0.25)[b]	−0.45 (0.27)[c]	−0.48 (0.26)[c]
AGE	−0.00 (0.02)	0.01 (0.03)	0.02 (0.03)	0.01 (0.03)	0.00 (0.03)
Year	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes
Interaction variables					
DT*INDBD			−0.05 (0.06)		
DT*WBD			0.00 (0.10)		
DT*NCEOD			−0.04 (0.03)		
DT*FBD			0.26 (0.10)[b]		
DT*FWBD			−0.08 (0.04)[c]		
ENF*INDBD				21.43 (15.01)	
ENF*WBD				0.73 (24.07)	
ENF*NCEOD				−1.54 (6.47)	
ENF*FBD				−46.77 (20.12)[b]	
ENF*FWBD				−2.96 (13.17)	
ENV-HOST*INDBD					−52.76 (238.92)
ENV-HOST*WBD					−444.54 (389.15)
ENV-HOST*NCEOD					21.76 (77.44)
ENV-HOST*FBD					21.25 (291.99)
ENV-HOST*FWBD					217.60 (180.93)
obs	1245	677	677	677	677
R2	0.38	0.41	0.43	0.43	0.42

[a]Indicates that the estimated coefficients are significant at the 1% levels.
[b]Indicates that the estimated coefficients are significant at the 5% levels.
[c]Indicates that the estimated coefficients are significant at the 10% levels.

TABLE 7 Robustness test. Board diversity and social performance in nonfamily and family firms. Two stage least squares (2SLS) results

Dependent variable: Social performance (SP)								
	Model 1 Non-FF	Model 1 FF	Model 1a Non-FF	Model 1a FF	Model 1b Non-FF	Model 1b FF	Model 1c Non-FF	Model 1c FF
INT	10.73 (11.25)	84.51 (26.00)[a]	5.71 (16.55)	88.77 (26.95)[a]	21.80 (15.62)	89.55 (26.80)[a]	89.31 (19.45)[a]	−152.16 (85.00)[c]
Independent variables								
INDBD	12.46 (3.36)[a]	0.31 (4.27)	18.20 (10.65)	20.00 (13.75)	−7.60 (11.03)	−21.05 (11.54)	−11.0.4 (6.34)[c]	35.21 (127.6)
WBD	2.38 (5.05)	28.68 (6.19)[a]	27.50 (21.59)	21.16 (21.42)	−28.81 (23.36)[c]	26.40 (16.82)	−19.83 (8.89)[b]	65.65 (16.63)[a]
NCEOD	0.14 (1.33)	−3.61 (1.79)[b]	−8.99 (8.94)	−18.03 (7.99)[c]	−16.86 (5.09)[a]	−5.46 (3.99)	29.93 (23.40)	8.59 (43.61)
FBD								
FWBD								
ENV-HOST	−10.82 (7.24)	−48.67 (18.19)[a]	−11.79 (8.35)	−46.48 (20.48)[b]	−14.37 (7.79)[c]	−49.39 (21.01)[a]	−87.45 (16.65)[a]	183.91 (79.76)[b]
DT	−0.01 (0.01)	−0.07 (0.01)[a]	0.01 (0.03)	−0.08 (0.03)[b]	−0.01 (0.01)	−0.06 (0.01)[a]	−0.01 (0.01)	−0.07 (0.01)[a]
ENF	−7.59 (1.93)[a]	−12.58 (2.60)[a]	−7.36 (1.92)[a]	−13.68 (3.15)[a]	−14.57 (6.98)[b]	−21.93 (6.96)[a]	−7.78 (1.81)[a]	−13.40 (3.05)[a]
Governance control variables								
BSIZE	1.09 (0.14)[a]	0.08 (0.22)	1.08 (0.18)[a]	0.16 (0.25)	1.11 (0.18)[a]	0.07 (0.25)	1.07 (0.19)[a]	0.10 (0.25)
GOVT	−6.81 (2.05)[a]	−1.81 (2.86)	−4.43 (2.67)[c]	−0.40 (3.43)	−2.57 (2.54)	−1.76 (3.30)	−7.50 (2.21)[a]	−3.76 (3.17)
FCEO								
OWNC	−0.84 (0.75)	- 8.48 (2.82)[a]	−0.76 (0.80)	−8.44 (2.86)[a]	−0.74 (0.80)	−8.38 (2.98)[a]	−0.83 (0.79)	−8.26 (2.80)[a]
Other control variables								
SIZE	4.10 (0.34)[a]	6.22 (0.63)[a]	4.06 (0.52)[a]	6.23 (0.67)[a]	4.11 (0.50)[a]	6.55 (0.71)[a]	4.26 (0.52)[a]	6.30 (0.66)[a]
ROE	0.03 (0.01)[a]	−0.01 (0.03)	0.03 (0.01)[a]	−0.01 (0.02)	0.03 (0.01)[a]	−0.01 (0.03)	0.03 (0.01)[b]	−0.01 (0.02)
LEV	0.20 (0.12)	0.22 (0.26)	0.22 (0.11)[c]	0.24 (0.22)	0.21 (0.10)[c]	0.22 (0.24)	0.17 (0.10)	0.27 (0.23)
AGE	0.00 (0.01)	0.01 (0.02)	0.00 (0.01)	0.01 (0.02)	0.00 (0.01)	0.01 (0.02)	0.00 (0.01)	0.01 (0.02)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interaction variables								
DT*INDBD			−0.02 (0.03)	−0.0.6 (0.04)				
DT*WBD			−0.07 (0.06)	0.02 (0.05)				
DT*NCEOD			0.02 (0.02)	0.03 (0.02)				
DT*FBD								
DT*FWBD								
ENF*INDBD					15.78 (7.87)[b]	17.18 (9.22)[c]		
ENF*WBD					24.08 (17.43)[b]	2.03 (13.46)		
ENF*NCEOD					14.13 (4.08)[a]	2.24 (3.90)		

TABLE 7 (Continued)

Dependent variable: Social performance (SP)								
	Model 1 Non-FF	Model 1 FF	Model 1a Non-FF	Model 1a FF	Model 1b Non-FF	Model 1b FF	Model 1c Non-FF	Model 1c FF
ENF*FBD								
ENF*FWBD								
ENV-HOST*INDBD							12.09 (6.11)[b]	−34.55 (124.5)
ENV-HOST*WBD							19.65 (8.67)[b]	−61.36 (16.21)[a]
ENV-HOST*NCEOD							−29.84 (23.09)	−11.85 (42.38)
ENV-HOST*FBD								
ENV-HOST*FWBD								
obs	1247	708	1247	708	1247	708	1247	708
R2	0.32	0.33	0.33	0.33	0.34	0.33	0.34	0.34
Wald 2 test p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

[a]Indicates that the estimated coefficients are significant at the 1% levels.
[b]Indicates that the estimated coefficients are significant at the 5% levels.
[c]Indicates that the estimated coefficients are significant at the 10% levels.

simultaneity of social and financial performance may result in endogeneity problems (McWilliams & Siegel, 2000). The direction of causality can be reverse or run both ways. Clustering the data for firm and accounting for time and industry-fixed effects with dummy variables as we do in models (1) and (2) helps mitigate the omitted variables problem. To mitigate the impact of these concerns, we used lagged variables to run the same models (Labelle et al., 2018; Veltri et al., 2021). Table 6 presents the results using this approach, lagged ROE, size and leverage and controlling for the year and industrial sector fixed effects. Comparing the results of Table 6 and Table 5 we can see that using lagged variables gives, qualitatively, the same results in terms of explicative power and significance of the independent variables and interaction terms.

Furthermore, the results may be subject to potential self-selection bias if social performance and some of the explanatory variables are endogenously determined. To deal with this problem we re-estimated Equations 1 and 2 using two-stage least squares (2SLS). The findings in Tables 7 and 8 remain largely the same reported in Tables 4 and 5, suggesting that our results do not appear to be driven by potential endogenous sample selection problems.

Additionally, the proxy of social performance used in this study could drive the results. To test the robustness of our empirical findings we used a different variable definition constructing a dummy variable, SP_D, that takes value "1" if the firm's social performance is greater than the sample median and "0" otherwise. The results of re-estimating Equations 1 and 2, reported in Table 9, largely confirm the results obtained with the original variable, suggesting that they do not depend on the choice of the social performance proxy.

8 | SUMMARY AND CONCLUSION

This study analyzes the effect of board diversity on family firms' social performance for an international sample of listed nonfinancial firms for the period 2014–2021. To the best of our knowledge, it is the first study to analyze the possible moderating effect of some institutional and business environment aspects on the above relationship. In doing so, it contributes to the literature in several ways.

First, this study contributes to the SEW stream of literature as, consistent with Kellermanns et al. (2012), we provide evidence that SEW does not necessarily increase social commitment: we point out that family firms present a lower performance than nonfamily companies and a strong presence of family directors reduces social performance. These findings also add to theory by highlighting that, in social initiative decisions, family control and influence may lead to prioritizing the family stakeholder, resulting in a reduction in investments favoring other stakeholders. This moderates agency conflicts between the owning family and minority shareholders.

Second, this research adds to CSP studies showing that different types of board diversity affect family and nonfamily firms' social engagement. Structural board diversity, in terms of size and independent directors, improves nonfamily firms' social performance. Demographic board diversity, in terms of women on the board, exerts a

TABLE 8 Robustness test. Board diversity and social performance within family firms. Two stage least squares (2SLS) results

Dependent variable: Social performance (SP)			
	Model 2a FF	Model 2b FF	Model 2c FF
INT	116.64 (27.75)[a]	91.71 (28.45)[a]	−85.87 (100.1)
Independent variables			
INDBD	6.45 (13.02)	−13.08 (11.40)	32.82 (129.8)
WBD	25.76 (25.24)	19.75 (18.84)	50.89 (23.71)[b]
NCEOD	−20.49 (8.23)[b]	−3.79 (4.44)	17.41 (47.94)
FBD	−143.0 (27.36)[a]	13.99 (11.54)	15.41 (18.36)
FWBD	26.28 (10.65)[b]	8.52 (10.94)	−12.56 (10.44)
ENV-HOST	−55.56 (20.72)[a]	−63.74 (22.46)[a]	127.48 (95.77)
DT	−0.12 (0.03)[a]	−0.05 (0.01)[a]	−0.07 (0.02)[a]
ENF	−10.14 (3.14)[a]	−4.62 (8.64)	−11.64 (3.11)[a]
Governance control variables			
BSIZE	0.04 (0.22)	0.04 (0.23)	0.08 (0.23)
GOVT	−9.37 (3.86)[a]	−9.32 (3.58)[a]	−7.87 (3.15)[a]
FCEO	3.20 (2.06)[c]	2.67 (2.04)	1.95 (2.15)
OWNC	−7.07 (3.18)[b]	−7.06 (3.27)[b]	−7.43 (3.04)[a]
Other control variables			
SIZE	6.02 (0.65)[a]	6.07 (0.71)[a]	5.82 (0.66)[a]
ROE	−0.02 (0.03)	−0.03 (0.03)	−0.02 (0.02)
LEV	0.18 (0.24)	0.19 (0.25)	0.18 (0.26)
AGE	0.02 (0.02)	0.02 (0.02)	0.01 (0.02)
Year	Yes	Yes	Yes
Industry	Yes	Yes	Yes
Interaction variables			
DT*INDBD	−0.03 (0.03)		
DT*WBD	0.00 (0.06)		
DT*NCEOD	0.04 (0.02)		
DT*FBD	0.27 (0.06)[a]		
DT*FWBD	−0.07 (0.03)[b]		
ENF*INDBD		7.84 (9.06)	
ENF*WBD		6.25 (15.15)	
ENF*NCEOD		0.04 (3.95)	
ENF*FBD		−45.63 (11.14)[a]	
ENF*FWBD		−5.11 (8.03)	
ENV-HOST*INDBD			−34.41 (126.4)
ENV-HOST*WBD			−46.92 (23.39)[b]
ENV-HOST*NCEOD			−21.57 (46.51)
ENV-HOST*FBD			−49.9 (182.3)
ENV-HOST*FWBD			12.16 (10.7)
obs	680	680	680
R2	0.37	0.37	0.36
Wald 2 test p-value	0.000	0.000	0.000

[a]Indicates that the estimated coefficients are significant at the 1% levels.
[b]Indicates that the estimated coefficients are significant at the 5% levels.
[c]Indicates that the estimated coefficients are significant at the 10% levels.

TABLE 9 Robustness test. Board diversity and social performance in nonfamily and family firms. Panel GLS results with a dummy proxy of social performance.

Dependent variable: Social performance dummy (SP_D)									
	Model 1a Non-FF	Model 1a FF	Model 1b Non-FF	Model 1b FF	Model 1c Non-FF	Model 1c FF	Model 2a FF	Model 2b FF	Model 2c FF
INT	−0.53 (0.58)	0.79 (1.14)	0.25 (0.55)	1.01 (1.10)	1.10 (0.74)	−3.43 (3.19)	1.57 (1.16)	1.26 (1.18)	−0.91 (3.97)
Independent variables									
INDBD	0.40 (0.42)	0.66 (56)	−0.26 (0.38)	−0.48 (0.47)	−4.51 (2.48)[c]	0.31 (4.92)	0.45 (0.56)	−0.28 (0.47)	−0.47 (5.68)
WBD	1.22 (0.79)	0.99 (0.80)	−1.47 (0.65)[b]	0.46 (0.56)	−0.97 (3.73)	12.69 (6.13)[b]	0.80 (1.03)	0.61 (0.79)	13.62 (9.00)
NCEOD	−0.25 (0.32)	−0.45 (0.32)	−0.52 (0.17)[a]	−0.19 (0.15)	1.31 (0.99)	0.02 (1.78)	−0.46 (0.33)	−0.17 (0.16)	−0.44 (1.67)
FBD							−2.51 (1.01)[b]	−0.13 (0.64)	−7.23 (6.24)
FWBD							0.33 (0.44)	−0.18 (0.46)	−3.36 (4.38)
ENV-HOST	−0.40 (0.25)	−0.70 (0.76)	−0.46 (0.24)[c]	−0.75 (0.74)	−1.52 (0.61)[b]	3.52 (2.99)	−0.95 (0.74)	−1.02 (0.75)	1.47 (3.76)
DT	0.00 (0.00)	−0.00 (0.00)	−0.00 (0.00)	−0.00 (0.00)[a]	−0.00 (0.00)	−0.00 (0.00)[a]	−0.00 (0.00)[c]	−0.00 (0.00)[a]	−0.00 (0.00)[a]
ENF	−0.13 (0.09)	−0.27 (0.11)[b]	−0.39 (0.24)[c]	−0.54 (0.23)[b]	−0.14 (0.08)[c]	−0.25 (0.11)[b]	−0.22 (0.11)[b]	−0.26 (0.34)	−0.24 (0.11)[b]
Governance control variables									
BSIZE	0.02 (0.01)[b]	0.01 (0.01)	0.02 (0.01)[a]	0.01 (0.01)	0.02 (0.01)[b]	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
GOVT	−0.05 (0.10)	−0.12 (0.13)	0.01 (0.10)	−0.17 (0.13)	−0.16 (0.09)[c]	−0.20 (0.12)[c]	−0.30 (0.16)[b]	−0.32 (0.14)[b]	−0.31 (0.12)[b]
FCEO							0.11 (0.07)	0.10 (0.07)	0.09 (0.07)
OWNC	−0.07 (0.03)[b]	- 0.20 (0.13)	−0.07 (0.03)[b]	−0.18 (0.13)	−0.08 (0.03)[b]	−0.20 (0.13)	−0.20 (0.13)	−0.20 (0.13)	−0.24 (0.13)[c]
Other control variables									
SIZE	0.08 (0.02)[a]	0.11 (0.02)[a]	0.08 (0.02)[a]	0.12 (0.03)[a]	0.08 (0.02)[a]	0.12 (0.02)[a]	0.11 (0.02)[a]	0.12 (0.03)[a]	0.11 (0.02)[a]
ROE	0.00 (0.00)[a]	−0.00 (0.00)	0.00 (0.00)[a]	−0.00 (0.00)	0.00 (0.00)[a]	−0.00 (0.00)	−0.00 (0.00)	−0.00 (0.00)	−0.00 (0.00)
LEV	0.01 (0.00)[b]	−0.00 (0.01)	0.01 (0.00)[b]	−0.00 (0.01)	0.01 (0.00)[b]	−0.00 (0.01)	−0.00 (0.01)	−0.00 (0.01)	−0.00 (0.01)
AGE	0.00 (0.00)	0.00 (0.00)	−0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interaction variables									
DT*INDBD	−0.00 (0.00)	−0.00 (0.00)					−0.00 (0.00)		
DT*WBD	−0.00 (0.00)[c]	−0.00 (0.00)					−0.00 (0.00)		
DT*NCEOD	0.00 (0.00)	0.00 (0.00)					0.00 (0.00)		
DT*FBD							0.00 (0.00)[c]		
DT*FWBD							−0.00 (0.00)		
ENF*INDBD			0.35 (0.28)	0.52 (0.37)				0.25 (0.38)	
ENF*WBD			1.08 (0.51)[b]	0.11 (0.45)				0.03 (0.62)	
ENF*NCEOD			0.44 (0.14)[a]	0.08 (0.15)				0.08 (0.15)	

(Continues)

TABLE 9 (Continued)

Dependent variable: Social performance dummy (SP_D)									
	Model 1a Non-FF	Model 1a FF	Model 1b Non-FF	Model 1b FF	Model 1c Non-FF	Model 1c FF	Model 2a FF	Model 2b FF	Model 2c FF
ENF*FBD								−0.56 (0.52)	
ENF*FWBD								0.12 (0.34)	
ENV-HOST*INDBD					4.58 (2.37)[c]	−0.17 (4.78)			0.46 (5.49)
ENV-HOST*WBD					0.88 (3.66)	−11.81 (5.93)[b]			−12.74 (8.77)
ENV-HOST*NCEOD					−1.30 (0.98)	−0.13 (1.73)			0.34 (1.62)
ENV-HOST *FBD									6.33 (6.16)
ENV-HOST *FWBD									3.18 (4.22)
obs	1247	708	1247	708	1247	708	680	680	680
R2	0.27	0.29	0.28	0.29	0.27	0.29	0.31	0.30	0.31

[a]Indicates that the estimated coefficients are significant at the 1% levels.
[b]Indicates that the estimated coefficients are significant at the 5% levels.
[c]Indicates that the estimated coefficients are significant at the 10% levels.

positive impact for family companies but the effect does not hold for family female directors. This has practical implications as it underlines that family businesses can effectively leverage the different experiences and relationships of female directors enhancing social performance only when they do not belong to the owning family.

Third, this paper contributes to the scarce empirical studies analyzing the effect of board diversity on CSP in the EU. Results on the effect of demographic and structural board diversity on family firms' CSP have relevant implications for country-level policy makers and regulators engaged in adopting the EU's recently approved Directives on board gender balance and on sustainability disclosure and monitoring, given the role of family businesses in EU member states economies. Fourth, the present research contributes to family business studies by pointing out further sources of heterogeneity in their social engagement, highlighting that their CSP varies according to the characteristics of the business and legal environment. Veltri et al. (2021) called for an analysis of board diversity and social performance in family and nonfamily firms in an international setting, taking into account country contextual aspects. This paper answers this call by showing that judicial system efficiency positively affects family firms' social performance and, more specifically, it moderates the negative effect of a high presence of family directors. The enforcement of law makes independent board members effective in sustaining family firms' social engagement whilst it exacerbates family directors' negative effect on social performance. This result extends previous research (Canavati, 2018), suggesting not only that stakeholders' *de jure* protection but also the likelihood that it turns into de facto protection negatively moderates family firms' social engagement in the presence of a strong direct influence of the family on the board. These findings also contribute by answering the call made by Gedajlovic et al. (2012) to investigate how institutional conditions affect performance differences between firms. These results have implications for family companies and practitioners as they indicate that board composition, in terms of independent directors and weight of family members on the board, has different social outcomes depending on the institutional characteristic of the country a firm operates in, improving or worsening the relationship with stakeholders. These findings also have implications for regulators and policymakers who should take into account the institutional characteristics of the country in regulating board characteristics in order to increase a firm's sustainable behavior.

Our study answers the call of Labelle et al. (2018) to investigate how economic conditions affect the relationship between SEW preservation motives and social engagement in family firms. It responds by showing that environmental hostility lowers social performance; the effect is higher for family than for nonfamily companies and, under nonmunificent conditions, female directors are not effective in boosting family firms' social performance. These results have implications for regulators and socially responsible investors as they provide evidence that board diversity is less effective in increasing CSP in a nonmunificent business environment.

In spite of its contributions and implications, this study is not without limitations.

This explorative study relies on an overall social performance measure in analyzing, for the first time, the effect of board diversity and contextual factors on CSP. Further research could provide a more in-depth analysis and disentangle the effect on the individual components of social performance.

We focus on female directors and family influence diversity on the board - in terms of family directors' weight and the proportion of family female members of women on the board - as demographic diversity variables. Other diversity in the board variables could help explain social performance in family firms, such as directors' education, foreign experience and tenure. In particular, other variables of family influence diversity could shed light on social performance differences within family firms. Therefore, further research may better disentangle family companies' heterogeneity by analyzing the composition of the family group on the board and focusing on generations due to their different experience and valence of SEW dimensions (Kellermanns et al., 2012), as well as their belonging to different family branches.

We use the enforcement of law, disposition time and environmental hostility as country-specific moderators of the effect of board diversity on social performance. Other contextual factors may help to understand board diversity dynamics in terms of social engagement. In particular, our findings suggest the opportunity to investigate the possible moderating effect of a country level of gender equality in order to explain the literature's mixed results on female directors' effect on social performance.

In terms of sample construction, we chose nonfinancial listed firms from Germany, Italy, France, Spain and Portugal. We selected civil law countries characterized by similar financial level of development and *de jure* stakeholder protection to better analyze the effect of the aforementioned contextual factors. Further research could replicate the study in common law countries. Moreover, our sample is made up of firms operating in developed countries and this could limit the generalizability of our findings to developing economies. Therefore, future research might examine the effect of board diversity and contextual factor on CSP in developing settings. Finally, listed firms are more visible, operate in a wider community than private firms and differ for social embeddedness (Dekker & Hasso, 2016), therefore nonlisted firms could be an interesting area to investigate.

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ORCID

Anna Maria Moisello https://orcid.org/0000-0002-0688-2177

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